

Zhejiang NHU Co., Ltd.

2023 Annual Report



April 2023

Section I Important Notes, Contents, and Definitions

The Board of Directors and its members, Board of Supervisors and its members, and senior executives of the Company hereby guarantee that the information presented in this annual report is authentic, accurate, complete and free of false records, misleading statements or material omissions, and they will bear individual and joint liabilities for such information.

Hu Baifan, the Company’s legal representative, Shi Guanqun, the officer in charge of accounting, and Zhang Lijin, the head of accounting department hereby declare that they guarantee the financial statements in this annual report are authentic, accurate and complete. All members of the Board of Directors have attended the meeting of the Board of Directors for deliberation of this annual report.

The future plan and other forward-looking information disclosed in this annual report shall not be regarded as a commitment to investors. We kindly remind investors of all possible risks in investments.

We draw your attention to item “XI. Outlook for the future development of the Company” under “Section III Management Discussion and Analysis”, which explicitly states the possible risks in business operation and countermeasures thereon.

Profit distribution proposal deliberated and approved by the meeting of the Board of Directors is as follows: Based on the 3,073,421,680 shares (total share capital of 3,090,907,356 excluding 17,485,676 repurchased shares[Note]), a cash dividend of 4.50 yuan (tax included) will be distributed to all shareholders for every 10 shares, and no bonus shares will be distributed, and the capital reserve will not be converted into share capital.

Note: According to the “Rules on Share Repurchase of Listed Companies”, shares in the special

account for repurchase of listed companies carry no right of profit distribution and conversion of capital reserve into share capital.

If the Company's total share capital changes due to the conversion of convertible bonds, share repurchase, exercise of equity incentives, refinancing and listing of new shares, etc. before the implementation of the profit distribution proposal, the total distribution will be adjusted accordingly based on the same distribution ratio.

This Annual Report is an English translation of the Chinese Annual Report. In case the English version does not conform to the Chinese version, the Chinese version prevails.

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Documents Available for Reference

- I. Financial statements signed and sealed by the Company's legal representative, officer in charge of accounting, and head of accounting department;
- II. The original auditor's report with the seal of the accounting firm and the signature and seal of the certified public accountants;
- III. Originals of all the Company's documents and announcements published on newspapers designated by the China Securities Regulatory Commission during the reporting period;
- IV. Other documents for reference.

Definitions

Abbreviations	Refers to	Contents of definitions
The Company, NHU	Refers to	ZHEJIANG NHU CO., LTD.
CSRC	Refers to	China Securities Regulatory Commission
CSRC, Zhejiang Office	Refers to	China Securities Regulatory Commission, Zhejiang Office
PPS	Refers to	Polyphenylene Sulfide
PPA	Refers to	Poly Phthalamide
PSU	Refers to	Polysulfone
PEEK	Refers to	Polyetheretherketone
PEI	Refers to	Polyetherimide
VOC	Refers to	Volatile Organic Compound
NH-acid	Refers to	Taurine
HSE	Refers to	Healthy And Safe Environment
F5	Refers to	Vitamin B5
CNAS	Refers to	China National Accreditation Service For Conformity Assessment
DSC	Refers to	Differential Scanning Calorimetry
ARC	Refers to	Accelerating Ratecalori Meter
RC1e	Refers to	Reaction Calorimeter
PF	Refers to	Lupin
CEP	Refers to	European Pharmacopoeia Applicability Certification
Pd catalyzer	Refers to	Palladium Catalyst
IPDA	Refers to	Isophorone Diamine
NBC	Refers to	Azabicycles
CLA	Refers to	Karon anhydride
AM ester	Refers to	Methyl Methacrylate
ADI	Refers to	Aliphatic Isocyanates
HDI	Refers to	Hexamethylene Diisocyanate

Section II Company Profile and Key Financial Indicators

I. Company profile

Stock abbreviation	NHU	Stock code	002001
Stock Exchange	Shenzhen Stock Exchange		
Company Name in Chinese	浙江新和成股份有限公司		
Company Abbreviation in Chinese	新和成		
Company name in foreign language (if any)	ZHEJIANG NHU CO., LTD.		
Company Abbreviation in foreign language (if any)	NHU		
Legal representative	Hu Baifan		
Registered address	No.418 Xinchang Dadao West Road, Qixing Sub-district, Xinchang County, Zhejiang Province, China		
Postal code of registered address	312500		
Historical changes of registered address	On May 28, 2020, the Company's registered address was changed from No.4 Jiangbei Road, Yulin Sub-district, Xinchang County, Zhejiang Province, China to No.418 Xinchang Dadao West Road, Qixing Sub-district, Xinchang County, Zhejiang Province, China		
Office address	No.418 Xinchang Dadao West Road, Qixing Sub-district, Xinchang County, Zhejiang Province, China		
Postal code of office address	312500		
Official website	http://www.cnhu.com		
E-mail	002001@cnhu.com		

II. Contact information

Items	Board secretary	Securities affairs representative
Name	Shi Guanqun	Zeng Shuying
Contact address	No.418 Xinchang Dadao West Road, Qixing Sub-district, Xinchang County, Zhejiang Province, China	No.418 Xinchang Dadao West Road, Qixing Sub-district, Xinchang County, Zhejiang Province, China
Tel.	+86 575 86017157	+86 575 86017157
Fax	+86 575 86125377	+86 575 86125377
E-mail address	sgq@cnhu.com	002001@cnhu.com

III. Information disclosure and location

Stock exchange website where the Company discloses the annual report	Shenzhen Stock Exchange: http://www.szse.cn
Medias and websites with which the Company discloses the annual report	<i>Securities Times</i> , <i>Shanghai Securities News</i> , <i>China Securities Journal</i> Giant Tide Information Network: www.cninfo.com.cn
Site where the annual report was prepared and completed	Securities Department of the Company

IV. Change of registration

Unified social credit code	91330000712560575G
Changes of main business scope since listing (if any)	None
Changes of holding shareholders (if any)	None

V. Other relevant information

Accounting firm engaged by the Company

Name	Pan-China Certified Public Accountants LLP
Office address	Resources Building, 1366 Qianjiang Road, Shangcheng District, Hangzhou 310020, China
Certified Public Accountants	Teng Peibin Jian Yanhui

The sponsor institution engaged by the Company, which performed the duty of continuous guidance and supervision during the reporting period

Applicable Not Applicable

The financial advisor engaged by the Company, who performed the duty of continuous guidance and supervision during the reporting period

Applicable Not Applicable

VI. Key accounting data and financial indicators

Whether the Company needs to perform retroactive adjustment or restatement on financial data of prior years

Yes No

Reason for retroactive adjustment or restatement

Accounting policy changes

Items	Year 2023	Year 2022		YoY growth rate	Year 2021	
		Before adjustment	After adjustment[Note]	After adjustment	Before adjustment	After adjustmentt[Note]
Operating revenue (yuan)	15,116,537,003.30	15,933,984,403.41	15,933,984,403.41	-5.13%	14,917,101,500.91	14,917,101,500.91
Net profit attributable to shareholders of listed company (yuan)	2,704,238,767.54	3,620,271,034.96	3,620,280,626.51	-25.30%	4,356,010,628.22	4,356,020,894.30
Net profit attributable to shareholders of listed company after deducting non-recurring profit or loss (yuan)	2,614,210,640.58	3,586,873,100.22	3,586,882,691.77	-27.12%	4,179,793,729.75	4,179,803,995.83
Net cash flows from operating activities (yuan)	5,119,370,863.32	4,361,481,083.61	4,361,481,083.61	17.38%	5,837,878,051.57	5,837,878,051.57
Basic EPS (yuan/share)	0.87	1.17	1.17	-25.64%	1.41	1.41
Diluted EPS (yuan/share)	0.87	1.17	1.17	-25.64%	1.41	1.41
Weighted average ROE	11.24%	16.08%	16.08%	Decreased by 4.84 percentage points	21.21%	21.21%

Items	Dec. 31, 2023	Dec. 31, 2022		After adjustment	Dec. 31, 2021	
		Before adjustment	After adjustment[Note]	After adjustment	Before adjustment	After adjustmentt[Note]
Total assets (yuan)	39,156,246,864.67	38,267,625,155.83	38,267,645,013.46	2.32%	34,724,025,476.79	34,724,035,742.87
Net assets attributable to shareholders of listed company (yuan)	24,804,662,320.99	23,574,859,468.61	23,574,879,326.24	5.22%	21,831,838,010.85	21,831,848,276.93

Reasons for changes in accounting policies and correction of accounting errors

[Note] Effective January 1, 2023, the Company implemented Accounting Standards Interpretation No. 16 issued by the Ministry of Finance (MOF). The "Accounting for deferred income taxes not subject to the initial recognition exemption for assets and liabilities arising from individual transactions" requires that adjustments be made for individual transactions to which the provision applies that occur between the beginning of the earliest period for which the financial statements are presented in the period in which the provision is first implemented and the date of first implementation. If taxable temporary differences and deductible temporary differences arise from lease liabilities and right-of-use assets recognized as a result of a single transaction to which this provision applies at the beginning of the earliest period for which the financial statements are presented for the first time, and if projected liabilities related to abandonment obligations and related assets are recognized, the taxable temporary differences and deductible temporary differences shall be adjusted in accordance with the provisions of this provision and Accounting Standard No. 18 - "Income Taxes". -Income Taxes, the cumulative effect is adjusted to opening retained earnings and other related financial statement items in the earliest period for which the financial statements are presented.

The company's net profit before and after deducting non-recurring gains and losses in the last three fiscal years, whichever is lower, is negative, and the audit report of the latest year shows that the company's ability of continuing operation is uncertain.

Yes No

The lower of the net profit before and after deducting extraordinary gains and losses is a negative value.

Yes No

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

1、 Difference in net profit and net assets in financial statements disclosed respectively under IFRS Standards and Chinese accounting standards

Applicable Not Applicable

The Company has no difference in net profit or net assets in financial statements disclosed respectively under IFRS Standards and Chinese accounting standards.

2、 Difference in net profit and net assets in financial statements disclosed respectively under overseas accounting standards and Chinese accounting standards

Applicable Not Applicable

The Company has no difference in net profit or net assets in financial statements disclosed respectively under overseas accounting standards and Chinese accounting standards.

VIII. Key financial indicators by quarter

Unit: RMB Yuan

Items	First quarter	Second quarter	Third quarter	Fourth quarter
Operating revenue	3,612,227,625.99	3,806,286,950.10	3,593,667,828.40	4,104,354,598.81
Net profit attributable to shareholders of listed company	643,158,260.22	840,070,976.74	617,979,827.61	603,029,702.97
Net profit attributable to shareholders of listed company after deducting non-recurring profit or loss	586,422,083.91	788,796,801.91	575,353,203.63	663,638,551.13
Net cash flows from operating activities	390,927,539.55	844,635,082.38	1,389,793,155.77	2,494,015,085.62

Is there any significant difference between the above financial indicators or their totals and the correspondent financial indicators disclosed in quarterly or semi-annual reports?

Yes No

IX. Non-recurring profit or loss

Applicable Not Applicable

Unit: RMB Yuan

Items	Year 2023	Year 2022	Year 2021	Remarks
Gains or losses on disposal of non-current assets, including write-off of provision for impairment	5,426,533.21	-74,232,517.88	-61,427,624.58	
Government grants included in profit or loss (excluding those closely related to operating activities of the Company, satisfying government policies and regulations, and continuously enjoyed with certain quantity or quota based on certain standards)	63,050,565.94	175,761,119.94	151,398,630.02	
Gains or losses on changes in fair value of held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets and held-for-trading financial liabilities, excluding those arising from hedging business related to operating activities	34,458,488.77	-86,980,602.84	48,751,702.84	
Fees charged to non-financial enterprises for fund occupancy included in current profit or loss	465,887.82	988,193.62		
Gains or losses on assets consigned to the third party for investment or management	12,715,401.91	52,749,284.13	57,777,633.53	
Debt restructuring gains and losses	-847,442.05			
Other non-operating revenue or expenditures	4,406,027.43	2,411,616.08	8,727,858.40	
Other profit and loss items that meet the definition of non-recurring profit or loss		9,579,239.88		
Less: Enterprise income tax affected	29,488,260.00	46,826,444.91	28,969,203.00	
Non-controlling interest affected (after tax)	159,076.07	51,953.28	42,098.74	
Total	90,028,126.96	33,397,934.74	176,216,898.47	--

Remarks on other profit or loss satisfying the definition of non-recurring profit or loss:

Applicable Not Applicable

The Company has no other profit or loss satisfying the definition of non-recurring profit or loss.

Remarks on defining non-recurring profit or loss listed in the “Interpretation Pronouncement on Information Disclosure Criteria for Public Companies No. 1 – Non-Recurring Profit or Loss” as recurring profit or loss

Applicable Not Applicable

Items	Amount involved(yuan)	Reason
Net profit attributable to shareholders of listed company after deducting non-recurring profit or loss in fiscal 2022	33,397,934.74	
Net profit attributable to shareholders of listed company after deducting non-recurring profit or loss calculated in accordance with the “Interpretation Pronouncement on Information Disclosure Criteria for Public Companies No. 1 – Non-Recurring Profit or Loss (Revised in 2023)” for fiscal year 2022.	-69,074,749.77	
discrepancy	102,472,684.51	

Section III Management Discussion and Analysis

I. The industry in which the Company operates during the reporting period

Based on the fine chemical industry, the company takes "Chemical+" and "Bio+" as its core technology platform to produce various functional chemicals around nutrition, flavors and fragrances, new materials and APIs.

Nutrition:

The overall trend of global population growth remains unchanged, with the degree of aging continuously deepening. As people pursue a healthy life and quality living, the demand for products in the large health sector, such as health supplements, pharmaceuticals, and infant health, will always be maintained and continue to grow. The United Nations, PRB, and others predict that by 2050, the global population will approach 10 billion¹.

Vitamins and methionine are the representatives of the nutritional products market. Vitamins are trace organic substances essential to humans and animals. The market demand mainly comes from the downstream feed, food, medicine and other fields. The overall demand is growing steadily at a low speed. The supply concentration is high, and the market price has long-term cyclical fluctuations. As the largest producer of vitamins, China produced about 0.43 million tons of vitamins in 2022, accounting for 84.40% of the global production. In 2023, the production capacity of the vitamin industry is released by inertia, the oversupply situation is intensified, and the industry competition is fierce².

Methionine is the only amino acid containing sulfur among essential amino acids, and is the first limiting amino acid in poultry, high-yield dairy cows and fish. The industrial production of methionine is mainly used as a feed additive, which has two advantages: economy and availability. At present, the main production process of methionine is chemical synthesis, the production process and engineering technology are complex, the safety and environmental protection requirements are high, and there are high capital barriers and technical barriers.

The methionine industry has a high concentration of production, with the majority of the capacity focused on 8 major manufacturers: Evonik, Adisseo, NHU, Novus, Sumitomo Chemical, CHINA UNIS CHEMICAL, CJ, and Sichuan Hebang. The global market demand is growing steadily, and the effective supply and demand are relatively balanced in the short term. The global methionine increase in 2023 mainly comes from China, and the methionine production adjustment and supply reduction of most international enterprises in the second half of 2023. It is expected that China's methionine production in 2023 will be 0.58 billion tons, an increase of 31.20% year-on-year, accounting for 34.60% of global production, and an increase of 7.9% compared with 2022³.

Flavor and fragrance:

Flavor and fragrance industry is a complementary industry of the national economy, and the independent high-level flavor and fragrance industry is crucial to the independent high-level food industry, tobacco industry and daily chemical industry. Fragrances include fragrances (synthetic fragrances, natural fragrances) and fragrances (daily chemical fragrances, food fragrances, tobacco fragrances, etc.), which are used in personal care, home care, food, beverage and other daily life scenarios. In 2022, the global flavor and fragrance market will reach 196.4 billion yuan, and China's market will reach 56 billion yuan, accounting for 28.50% of the world's total⁴.

New polymer materials:

As a strategic and fundamental industry, new polymer materials has become an important symbol for measuring the economic and

¹ <https://www.prb.org/articles/highlights-from-the-2023-world-population-data-sheet/>

² The "2023 Vitamin Market Annual Analysis Report" by BOYAR

³ The "2023 Amino Acid Market Annual Analysis Report" by BOYAR

⁴ Xinhua reported December 2023 "Fragrance industry fragrance"

technological strength of a country or region. The “Guidelines under 14th Five-Year Plan and Vision for 2035” pointed out that it is necessary to vigorously develop strategic emerging industries, including new generation information technology, biotechnology, new energy, high-end equipment and other fields. These fields have huge demand for new materials. New polymer materials include general-purpose plastics, engineering plastics and special engineering plastics, and downstream processing forms include modified composite materials, films, fibers, foams, coatings, etc., which are widely used in traditional fields such as automobiles, electronic appliances, as well as new energy, 5G communication, artificial intelligence and other emerging fields. With the upgrading of consumption and the high-quality development of the manufacturing industry, the future market growth space of the polymer material industry is huge.

Specialty engineering plastics refer to a class of engineering plastics with superior comprehensive performance and a long-term service temperature above 150°C. They combine advantages such as high heat resistance, insulation, corrosion resistance, and high mechanical strength, and are widely used. In the aerospace field, materials like PPS, PEEK, and PEI are partially replacing metals and thermosetting plastics due to their heat resistance, flame retardancy, and processability. In the automotive sector, lightweight and electrification are the main factors driving the growth of demand for specialty engineering plastics. In the electronic and electrical field, the increase in the assembly temperature of electronic components and the increase in the communication transmission frequency are the main factors driving the growth of the demand for special engineering plastics.⁵

API industry:

API is the pillar industry of the domestic pharmaceutical industry and one of the key industries supported by the state. China and India are the main source countries of API production. The advantages of API production are concentrated in emerging countries such as China, and China has become a large production and export country of bulk API, and the production technology has reached the international leading level. According to the production data of chemical raw materials and chemical preparations collected by the Statistical Information Professional Committee of China Chemical Pharmaceutical Industry Association in 2022, the production of chemical raw materials basically remained stable, and among the major categories, the output of anti-infective drugs in 2022 increased by 3% over the previous year; The output of antipyretic and analgesic drugs will increase by 16.1% in 2022; Vitamin production increased by 10.6% in 2022.⁶

II. The main business of the Company during the reporting period

The Company is a national high-tech company mainly engaged in the production and sales of nutrition, flavor and fragrance, new polymer materials, and APIs. It focuses on fine chemicals, adheres to the concept of innovation-led development and competition-driven growth, and continuously develops various functional chemicals based on the two core platforms of chemical and biology, providing value-added services and solutions to customers in more than 100 countries and regions around the world. It continuously improves the quality of human life with high-quality, healthy and green products, and creates sustainable value for stakeholders. With leading technology, scientific management and sincere service, the Company has become one of the four major world vitamin manufacturers, one of the top 100 national fine chemical companies, one of the top 10 companies in China's light of industry fragrance and a well-known special engineering plastics manufacturer.

1. Main products and applications

Nutrition: The current products mainly cover vitamins, amino acids and pigments, etc. Specific products include vitamin E, vitamin A, vitamin C, methionine, vitamin D3, biotin, coenzyme Q10, carotenoids, vitamin B5, vitamin B6, vitamin B12, etc. They are mainly used in feed additives and nutrition supplements of food, beverages, health food, etc. The Company actively implements the serialized and differentiated development of nutrition, and continuously improves the competitiveness of its products by optimizing the processing line and tackling key issues. In addition, through internal integration and external cooperation, it embraces the ideology of

⁵ China Huaxin "The demand for special engineering plastics continues to increase, and the application status and future trend of various products are viewed by consumer areas"

⁶ China Chemical and Pharmaceutical Industry Association "China Chemical and Pharmaceutical Industry Economic Operation Report 2022"

open cooperation. It actively deploys cutting-edge biotechnology, and builds the Company's "Bio+" platform.

Flavor and fragrance: At present, our main fragrance products include linalool, citral, and cis-3-hexenol series, and methyl dihydrojasmonate, raspberry ketone and ligustral, which are widely used in personal care, cosmetic and food fields. From the perspective of competitiveness and market share, NHU becomes an important supplier in the global flavor and fragrance industry. The Company continuously enriches the varieties of fragrance products to meet the changing market demands.

Polymer materials: The company focuses on the development of high-performance polymers and key intermediates, moderate development of downstream applications of materials, the main products include polyphenyl sulfide (PPS), high temperature nylon (PPA), HDI, IPDA, downstream applications include automotive, electronic appliances, environmental protection, industrial applications and other fields. At present, the company has created a whole industry chain of PPS from basic raw materials to high polymer, then to modified processing, to special fibers, becoming the only domestic enterprise that can stably produce fiber grade, injection grade, extrusion grade, coating grade PPS, and is developing new material projects in the whole industry chain.

APIs: The main products are concentrated in the series of vitamins and antibiotics. The main products include moxifloxacin hydrochloride, vitamin A, vitamin D3, etc., which are mainly used as active pharmaceutical ingredients for processing and producing pharmaceutical preparations.

2. Main business models

(1) Procurement model

The company has always adhered to the procurement principle of "fairness, transparency and optimal cost", adopted the dual strategy of long-term strategic cooperation and open competitive procurement, deepened the market trend and market analysis, and ensured the steady supply of strategic materials. Pay attention to source procurement, reduce intermediate links, reduce procurement costs. Promote sunshine procurement, establish an information system, and make the procurement process transparent, standardized and efficient. Select suppliers with good reputation and quality products, and sign quality assurance agreements to ensure stable and reliable performance of purchased items. We will give priority to environmentally friendly, energy-saving and sustainable products and services, encourage suppliers to achieve green production and operation, and gradually promote carbon emission reduction and carbon neutrality plans. Select suppliers with a good sense of social responsibility, pay attention to their social responsibility performance, establish long-term cooperative relations, and achieve sustainable development of procurement activities.

(2) Production model

The Company has always been adhering to the production strategy based on the principle of "production and sales coordination, efficient operation, excellent quality, and cost leadership". The Company maintained a balance between production and sales through analysis of changes in market demands, effective response to repeated epidemic waves and dual-control power cuts, and reasonable production plans. In addition, the Company keeps innovating the production model, digging out internal potentials, and optimizing the production process, in order to promote safe, green, standardized and efficient production, and continuously improve the competitiveness of its products.

(3) Sales model

The Company has always been adhering to the "customer-centric, market-oriented" sales strategy. It divides business lines by product application fields, and establishes a sales model that suits market needs according to market characteristics and industry practices. Most of the Company's sales are achieved through direct sales. By doing so, it establishes long-term and stable strategic cooperative relationships with end customers to create greater value for them. Meanwhile, it also selects excellent agents or distributors for distribution. By doing so, it services customers indirectly based on market and customer features. At the same time, through measures such as holding customer service months, strengthening customer strategic cooperation, establishing customer evaluation models, and optimizing customer classification management, we will continue to expand market areas, increase new large-scale customers, and enhance brand influence.

3. Key performance drivers

The Company has built four modern industrial bases across the country. It adheres to the development strategy of integration, serialization and synergy, and insists on innovation-driven. Relying on the solid foundation of fine chemical industry, it focuses on “chemical+” and “biology+” to form NHU featured R&D models with industrial clusters, and technology and industry platforms interdependent. Not only can its products connect basic chemical raw materials in the upstream, but also extend to special intermediates, nutrition, flavor and fragrance, new polymer materials, and APIs in the downstream. It has formed a product network structure to resist risks and respond to market emergencies.

During the reporting period, the company's original products were operated in fine detail and the development and construction of new projects and new products were carried out in an orderly manner. Of the 250,000 tons/year methionine phase II project in the nutrition sector, 100,000 tons of equipment ran smoothly, 150,000 tons of equipment with its process route successfully established in one go, continues to enhance its comprehensive competitive advantage.; The 180,000 tons/year liquid methionine (conversion) project of the company and China Petroleum & Chemical Corporation was put into construction; 4,000 tons/year cystine project started construction; 30,000 tons/year taurine project started normal production and sales; 2,500 tons/year vitamin B5 project started normal production and sales. In the Flavor and fragrance sector, 5,000 tons/year menthol project started normal production and sales. In the new polymer materials sector, 7,000 tons/year PPS Phase III project started normal production and sales; The pilot test of the adiponitrile project was successful, and the project approval is progressing in an orderly manner. The HA project has commenced with material input testing, and the project is advancing smoothly. In the API sector, Pharmaceutical-grade Coenzyme Q10 was listed, and the product structure was upgraded according to market demand, and gradually developed into a manufacturer of antipyretic and analgesic drugs, nutritional drugs and characteristic API intermediates.

During the reporting period, the price of major vitamin products was under downward pressure, and the company actively took countermeasures, innovative marketing management, gave play to the advantages of sector linkage, and made efforts to overcome various unfavorable factors, and achieved steady growth in product sales year-on-year. During the reporting period, the company promoted the normal sales of newly put into production projects, and achieved steady revenue growth in the flavors and fragrances segment and the new materials segment. At the same time, through innovation to reduce costs, fully tap the potential, strengthen the analysis and prediction of the procurement market, and reasonably reduce operating costs, maintaining the overall steady development of the company.

During the reporting period, the Company's main business and its business model remained unchanged.

III. Core competitiveness analysis

Since its establishment, the Company has focused on fine chemicals, and adhered to innovation-driven development. Through decades of development, it has gradually formed an industrial system with nutrition, flavor and fragrance, new polymer materials and APIs as its main business. The market share of its main products is among the top tier in the world market. The Company's core competitiveness lies in its cooperate culture, R&D, management, talent and brand.

1. Corporate culture

Adhering to the enterprise objective of “creating wealth, employees' success, and benefit the society”, core values of “new, harmony, union”, business philosophy of “create wealth, balanced and sustainable”, and enterprise spirit of “realism, innovation, high-quality and efficiency”, the Company innovates its operation, and continuously improves management, to ensure the steady development. Under the guidance of the “teacher culture”, the Company pursues high-quality and sustainable development, creates spiritual wealth and material wealth, provides a platform and opportunity for employees to develop and realize life value, and contributes to social innovation development, green development, and shared development. During the reporting period, the Company deepened cultural publicity and implementation, organized corporate culture lectures, strengthened the integration of corporate culture and management, carried out reflection activities on execution and talent training, as well as the “Woodpecker” management behavior correction actions, promoting the improvement of management capabilities.

2. R&D

The company adheres to the research and development concept of "demand-oriented, internal and external integration", and has invested more than 5% of its operating income in research and development for many consecutive years. Through the establishment of an innovative organizational structure at three levels of science, technology and application, the company has formed a three-level innovative research and development system of scientific research, technology transformation and technology application, and formed a research and development model with the General research Institute as the core, research branches, four production bases, Xinhecheng-Zhejiang University joint research and development center, and external scientific research cooperation institutions. The company cooperates closely with well-known research institutes and universities at home and abroad, such as Zhejiang University, Chinese Academy of Sciences, Jiangnan University, China Agricultural University, Zhejiang University of Technology, and CysBio Biotechnology Co., LTD., organizing and utilizing global basic science research resources to jointly carry out prospective and applied research in chemistry. As the core of enterprise technology innovation, the research institute of the company has set up biomedical laboratory, supercritical reaction laboratory, engineering equipment research center and other laboratories, equipped with 600M ultra-low temperature probe nuclear magnetic resonance instrument and other world advanced scientific research equipment, master the supercritical reaction, high vacuum distillation, high pressure hydrogenation continuous, peroxide and continuous crystallization and other leading technologies at home and abroad. It has been rated as a national enterprise technology center, a national postdoctoral research workstation, and a national model academician expert workstation. During the reporting period, the company was awarded the "Zhejiang Science and Technology Leading Enterprise", and the New Materials Research Institute was awarded the Key Enterprise Research Institute of high-performance engineering Materials in Zhejiang Province.

3. Production management

The Company has always been adhering to the production strategy based on the principle of "production and sales coordination, efficient operation, excellent quality, and cost leadership" and the HSE guideline of "safety first, green development, full participation, and continuous improvement". The Company takes planning as the goal, cost management as the main line, and maximizing company benefits as the principle for the allocation of resources. Through oriented management and the cyclic operation of planning, organization, implementation and control of the operation process, the Company continuously strengthens the level of cost control. Meanwhile, it also improves the level of digitalization and intelligence. Through process reform, efficient management, and intelligent operation, it promotes the continuous improvement of management efficiency. In addition, the Company is committed to the development of green chemicals, vigorously promotes clean production, recyclable economy and 7S on-site management, and adopts an environmental governance model that focuses on source control and final disposal. It is determined to take the road of sustainable development.

4. Process and equipment

The Company values highly the effective combination of process and equipment. It has a process and equipment research institute, and cooperates with famous engineering companies and scientific research institutes at home and abroad. Through the introduction, digestion, absorption and re-innovation of advanced technologies, the Company improves the overall level of its process and equipment. The Company is dedicated to the R&D of process and equipment towards larger scale, better airtightness, greater continuity, and higher level of automation, aiming to save energy and reduce emissions, to improve productivity and product quality, to increase the intrinsic safety of production process, to lower production costs, and to improve the level of automation. Currently, the Company has developed various efficient reaction and separation platforms including continuous reaction, high vacuum distillation, continuous extraction, continuous crystallization, efficient filtration, simulated moving bed separation, microchannel and micro-interface reaction with respect to specific processes, and remarkable results have been achieved in continuous transformation of reaction, vapor-liquid-solid heterogeneous reaction, and separation of air sensitive and heat sensitive materials through continuous improvement of large-size equipment.

5. Talent

The company has always adhered to the management concept of "standardized and efficient" and the employment concept of "both virtue and talent, people and posts matching", and has shaped a pioneering and innovative, pragmatic, and efficient talent team and a long-term stable and excellent management team with a high sense of responsibility, to promote the sustainable, healthy and rapid development of the company. The company continues to strengthen the construction of talent supply chain, constantly improve the talent training system, strengthen the training of "management talents, skilled talents, international talents, core technical talents, and leadership talents", systematically train and reserve college students, introduce various professional talents, continue to promote the training of reserve cadres such as the sailing class and the departure class, and promote the cross-sequence rotation training of the font type. Promote the improvement of management and professional ability, and build a balanced talent structure. During the reporting period, the company has been honored with the "2022 High-Quality Development Demonstration Award for Valuing and Cherishing Talents".

6. Brand

The company adheres to the "integrity-based", and has always adhered to serving customers and creating industry value with customers as the goal pursued by enterprises over the years. Through technological innovation, the company continues to provide customers with safe and high-quality products and efficient and satisfactory services. After years of development and accumulation, the company has won many honorary titles in the global fine chemical industry, such as one of China's top ten feed additive brands, one of the country's large vitamin feed additive enterprises, and won the list of China's top 500 petroleum and chemical enterprises (comprehensive) and China's top 100 basic chemical raw material manufacturing enterprises. Good market reputation has laid a solid foundation for the healthy and long-term development of the company. In addition, the company has repeatedly won the top 30 best internal control in Zhejiang Province, the mainstream media listed companies "Best Investor relations Award", "Best Board of Directors award" and other awards, widely favored by the market and investors. During the reporting period, the company was rated as "Top 100 Private Enterprises in Shaoxing City in 2023", "Leading Scientific Enterprise in Zhejiang Province", "Top 10 Innovation and Development Enterprises in China's Fine Chemical Industry in 2023", "Top 100 Enterprises in China's Fine Chemical Industry in 2023" and "Top 100 Enterprises in China in 2023", and the company ranked No. 1 in the "Independent Innovation" group of China Brand Value Evaluation information in 2023.

7. Globalization

Globally oriented, the company has set up overseas sales companies in Hong Kong, Singapore, Germany, Mexico, Brazil and other regions or countries, and built overseas research institutes in Singapore to connect global innovation resources, providing comprehensive solutions in the fields of nutrition and health, daily care, transportation, environmental protection, energy, and other fields for customers in more than 100 countries and regions around the world. We will strive to optimize the allocation of resources at home and abroad, help expand overseas markets and provide localized services, and continue to move toward "Global NHU".

8. Intelligent Manufacturing

The company establishes the "one headquarters and multiple bases" management and control mode, builds a large-middle desk technical route with new and successful characteristics, and strengthens the awareness of data management and the management platform support system by building the business center, data center and technology center, so as to realize the smooth management process of the headquarters and production base, the same source of business data, and supports the efficient business decision-making of enterprises. The company constantly promotes automation, informatization and digitalization, strives to create a new and characteristic intelligent manufacturing system, build smart factories, promote intelligent operation management, achieve efficient, flexible, punctual, lean production of high-quality products, better meet and serve customers, and shape new advantages of industrial competition.

IV. Main business analysis

1. Introduction

Please refer to item “II. The main business of the Company during the reporting period” under “Section III Management Discussion and Analysis” for details.

2. Revenue and cost

(1) Operating revenue

Unit: RMB Yuan

Items	Year 2023		Year 2022		YoY growth rate
	Amount	% to total	Amount	% to total	
Total	15,116,537,003.30	100%	15,933,984,403.41	100%	-5.13%
By industry					
Pharmaceutical chemicals	13,797,766,058.00	91.28%	14,672,567,397.29	92.08%	-5.96%
Others	1,318,770,945.30	8.72%	1,261,417,006.12	7.92%	4.55%
By product					
Nutrition	9,866,822,612.52	65.27%	10,951,828,026.72	68.73%	-9.91%
Flavor and fragrance	3,273,948,378.45	21.66%	2,967,080,657.65	18.62%	10.34%
New polymer materials	1,201,509,242.06	7.95%	1,166,099,937.05	7.32%	3.04%
Others	774,256,770.27	5.12%	848,975,781.99	5.33%	-8.80%
By region					
Domestic sales	7,318,678,736.77	48.42%	8,262,678,396.21	51.86%	-11.42%
Overseas sales	7,797,858,266.53	51.58%	7,671,306,007.20	48.14%	1.65%
By sales model					
Direct sales	10,976,755,778.18	72.61%	11,874,529,226.77	74.52%	-7.56%
Agent sales	4,139,781,225.12	27.39%	4,059,455,176.64	25.48%	1.98%

(2) Industries, products and regions that account for more than 10% of the total operating revenue or operating profit

√ Applicable □ Not Applicable

Unit: RMB Yuan

Items	Operating revenue	Operating cost	Gross rate	Growth rate of operating revenue	Growth rate of operating cost	Growth rate of gross rate
By industry						
Pharmaceutical chemicals	13,797,766,058.00	9,143,852,194.64	33.73%	-5.96%	1.07%	Decreased by 4.61 percentage points
By product						
Nutrition	9,866,822,612.52	6,915,666,865.62	29.91%	-9.91%	-0.42%	Decreased by 6.68 percentage points
Flavor and fragrance	3,273,948,378.45	1,620,160,495.19	50.51%	10.34%	7.01%	Increased by 1.54 percentage points
By region						
Domestic sales	7,318,678,736.77	5,238,007,215.82	28.43%	-11.42%	-4.78%	Decreased by 5.00 percentage points
Overseas sales	7,797,858,266.53	4,893,483,159.63	37.25%	1.65%	7.61%	Decreased by 3.47 percentage points

In case the statistical caliber of the Company's main business data was adjusted during the reporting period, the Company's main business data of the preceding period adjusted according to the caliber at the end of the period shall be indicated

Applicable Not Applicable

(3) Whether the Company's goods sales income is greater than service income

Yes No

By industry	Items	Unit	Year 2023	Year 2022	YoY growth rate
Pharmaceutical chemicals	Sales	Ton	789,182.83	655,683.43	20.36%
	Production	Ton	789,677.52	669,038.97	18.03%
	Stock	Ton	68,991.71	68,497.02	0.72%
Others	Sales	Ton	26,584.02	24,551.07	8.28%
	Production	Ton	29,056.26	25,496.03	13.96%
	Stock	Ton	6,265.53	3,793.29	65.17%

Remarks on reason for relevant data with absolute growth rate over 30%

Applicable Not Applicable

The YoY growth rate of stock of others was up 30%, mainly due to the increase of PPS products due to the completion of the third phase of PPS construction and the impact of capacity enhancement.

(4) The performance of major sales contracts and major purchase contracts signed by the Company during the reporting period

Applicable Not Applicable

(5) Composition of operating cost

Unit: RMB Yuan

By industry	Items	Year 2023		Year 2022		YoY growth rate
		Amount	% to total	Amount	% to total	
Chemical industry	Cost of main operations	9,113,248,621.48	89.95%	9,001,010,480.60	89.58%	1.25%
Others	Cost of main operations	921,775,209.45	9.10%	1,000,074,989.18	9.95%	-7.83%

Unit: RMB Yuan

By product	Items	Year 2023		Year 2022		YoY growth rate
		Amount	% to total	Amount	% to total	
Nutrition	Cost of main operations	6,885,063,292.46	67.96%	6,913,932,973.18	68.81%	-0.42%
Flavor and fragrance	Cost of main operations	1,555,075,302.17	15.35%	1,498,519,852.06	14.91%	3.77%
New materials	Cost of main operations	867,516,786.30	8.56%	901,961,435.46	8.98%	-3.82%
Others	Cost of main operations	727,368,450.00	7.18%	686,671,209.08	6.83%	5.93%

(6) Whether the consolidation scope has changed during the reporting period

Yes No

Entities	Equity acquisition method
Shandong New Shuang'an Biotechnology Co., Ltd	Acquisitions

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

Applicable Not Applicable

(8) Major customers and major suppliers

Major customers

Total sales amount (yuan) of top 5 customers	1,550,108,168.56
Proportion to the total balance of annual sales amount (%)	10.26%
Proportion of related party transaction to the total balance of annual sales amount (%)	0.00%

Top 5 customers

No.	Customers	Sales amount (yuan)	Proportion to the total balance of sales amount (%)
1	Client A	750,800,479.63	4.97%
2	Client B	230,652,896.19	1.53%
3	Client C	202,836,523.66	1.34%
4	Client D	199,473,773.22	1.32%
5	Client E	166,344,495.86	1.10%
Total	--	1,550,108,168.56	10.26%

Remarks on other information of major customers

Applicable Not Applicable

Major suppliers

Total purchase amount (yuan) of top 5 suppliers	1,328,514,889.44
Proportion to the total balance of annual purchase amount (%)	13.86%
Proportion of related party transaction to the total balance of annual purchase amount (%)	0%

Top 5 suppliers

No.	Suppliers	Purchase amount (yuan)	Proportion to the total balance of purchase amount (%)
1	Supplier A	355,051,158.40	3.71%
2	Supplier B	263,706,804.58	2.75%
3	Supplier C	261,989,468.29	2.73%
4	Supplier D	237,630,811.43	2.48%
5	Supplier E	210,136,646.74	2.19%
Total	--	1,328,514,889.44	13.86%

Remarks on other information of major suppliers

Applicable Not Applicable

3. Expenses

Unit: RMB Yuan

Items	Year 2023	Year 2022	YoY growth rate	Remarks on significant changes
Selling expenses	158,316,813.86	122,257,619.47	29.49%	This was mainly due to the increase in personnel remuneration, commission and office expenses during the reporting period.
Administrative expenses	551,072,291.99	504,674,730.69	9.19%	
Financial expenses	65,450,512.95	44,401,778.13	47.41%	This was mainly due to the decrease in interest income and foreign exchange gains during the reporting period.
R&D expenses	887,801,475.02	858,945,406.13	3.36%	

4. R&D input

√ Applicable □ Not Applicable

Main R&D projects	Purposes	Progress	Targets to be fulfilled	Expected effect on the Company's future development
Research on continuous process equipment technology development and application research	Research on some of the existing unit operations and equipment that are commonly used by the company and facilitate continuous operation, so that each production site can form a mature continuous reaction, continuous chromatography, continuous washing, continuous crystallization, continuous extraction and other continuous production lines	Kettle and pipeline continuous reaction model test platform, continuous extraction and continuous crystallization model platform have been built, and is undergoing application debugging	Formation of different scale multi-kettle tandem continuous reaction model test platform, pipeline reactor model test platform, falling film evaporator basic data verification device, continuous crystallization model test platform, continuous extraction model test platform, membrane separation model test platform, microchemical platform	Enhance our industry position in the API industry, Enhance the comprehensive competitiveness of products
Development of PF product technology	Develop new products in PF category and obtain official license and customer approval	R&D completed, some products are being promoted for projectization	Process research and quality research on several PF products, forming independent R&D technology and quality standards, and launched new categories of APIs.	Enrichment of API product lines
Research on new dosage formulations and process technology of nutrient products	Development of new dosage forms for vitamin products such as granules, tablets, drops, emulsions, and gels.	Completion of emulsification new process, vitamin A dry crosslinking process small pilot research and development	Formation of a set of commissioning equipment suitable for the development of powder, tablet, drop and capsule type formulation products with a batch output of about 50Kg	Develop new products of nutrient preparations to improve the product range of our nutritional products

Main R&D projects	Purposes	Progress	Targets to be fulfilled	Expected effect on the Company's future development
Research on the development and application of high-safety nutrient products	To develop high- safety fat-soluble vitamin and carotenoid preparations and research on the effect and mechanism of their application in downstream premix, feeds and animals (in vitro and in vivo).	3 products for large production applications; the platform has completed construction and started normal operation and application debugging	To research on the application effect of newly developed ethoxyquinoline-free vitamin and carotenoid preparation products in premix and feeds, and their bioutilization effect in different animal fields. Establish feed processing platform and breeding test base for pilot-scale experiments, so as to evaluate the application effect of high-safety vitamin and carotenoid.	It is expected to improve the Company's independent research and development level in the developmentcontinue to provide effective and sustainable solutions for customers.
Development of Vitamin product technology	Research and development of synthetic process innovation for new and old products of vitamin series	VB6 available, others still in development	The company continues to innovate the existing vitamin product process; continues to research and develop the synthesis process for new vitamin products.	The company continues to improve the vitamin series products, to improve the company's overall competitiveness
Key Technology Development and Application Demonstration for Equivalent Reduction of Pd Catalyst for Vitamin and Antibiotic Synthesis	To study the design, synthesis and catalytic mechanism of metal catalysts as the primary task, and explore the industrial development and application of high performance metal catalysts	Pilot stage commissioning	The precise design, synthesis, development and application of our new and old products involving Pd catalysts, etc.	Improve the synthesis technology of related products, such as useful to Pd catalysts, to reduce costs and improve competitiveness
AM ester synthesis process development	Continuously promoting the chemical synthesis of new AM ester products, and scaling up design and industrialization	Mold testing and further scaling up of the design phase	Application of chemical synthesis of new AM ester products and promotion of scale-up design and industrialization	Breaking the monopoly of foreign technology and promoting industrial upgrading
Construction of biologically synthesized strains of typical B vitamins, development and industrialization of fermentation process	Enhanced production of engineered strains through multi-parameter optimization of the fermentation process to accelerate the substitution of chemical synthesis by biofermentation	Vitamin B5, B12 have been in the company's internal test run, running well, other B products fermentation process research	Green synthesis of existing vitamins by constructing high-level strains and amplifying fermentation	Realize the green vitamin bio-manufacturing, and then upgrade China's fermentation level to the world's leading level, and play a key role for the company to seize the high point of international technology and build a new pillar of green environmental protection industry system in China.
Adiponitrile synthesis process innovation and industrialization technology application research	Chemical synthesis and industrialization of adiponitrile	Pilot testing of new processes and design of further scale-ups	Research on technology development of adiponitrile products and localization of production technology of adiponitrile products	Break through the technical barriers of adiponitrile, break the monopoly of foreign companies, and promote the development of domestic related industries

Main R&D projects	Purposes	Progress	Targets to be fulfilled	Expected effect on the Company's future development
High-specification API product development	Further promote the company's R & D of API products, especially vitamin API product research and development work, reduce production costs, improve API product specifications	Completed research on pharmaceutical grade products such as Coenzyme Q10 and Moxifloxacin Hydrochloride, of which Q10 has obtained the domestic registration number and Moxifloxacin Hydrochloride has obtained the CEP certificate; and is promoting the research on 6 pharmaceutical grade products such as Vitamin B6.	Completed the development and research of pharmaceutical-grade pilot processes for more than 5 products, such as vitamin VB6, and the process has the value and feasibility of scaling up, and guided and optimized the establishment of the scaling-up process.	Enhance our company's industry position in the API industry, especially in the competitiveness of the high-specification vitamin market
Research and Application of Fine Chemical Analysis and Testing Technology	Establishing relevant standards and testing methods for synthetic intermediates; carrying out research on the preparation, separation and purification of trace impurities, and determining the structure of impurities, etc.	Passed CNAS National Laboratory Accreditation Qualification Periodic Supervisory Review and Expansion Re-accreditation, and is able to carry out analytical technology research support both inside and outside the company.	Provide analytical technology services for enterprises, establish analytical technology development, and assist in the company's product development	Provide a full range of analysis and testing services for the company's product technology innovation, and assist in solving key technical problems in the production and R&D process.
Development and Application of Highly Efficient Separation Processes and Coupling Enhancement Technology	Systematically study the influencing factors of the company's products in the separation process, optimize the best parameters of the separation process, achieve controllable separation process and quality of the products, and solve the actual production problems through production debugging in the workshop.	Crystallization, extraction, simulated moving bed separation technology development is basically standardized and applied in a number of products; distillation and membrane separation technology development is in the process of further standardization	Systematic research on the separation process of the company's existing and developing products to support the solution of practical production problems.	Through the innovation and development of the separation process, the company realizes the improvement of the separation process and quality of the products, meets the needs of different customers, and enhances the competitiveness of the products in the market.
Research on the improvement of safety and environmental protection	The company has set up a safety and environmental protection assessment laboratory, equipped with calorimetric equipment	The safety and environmental protection assessment laboratory has been	The research and development to improve the company's safety and security technology in the chemical production and	This research and development improves the enterprise's essential safety level and effectively prevents accidents from

Main R&D projects	Purposes	Progress	Targets to be fulfilled	Expected effect on the Company's future development
technology of fine chemical industry	such as DSC, ARC and RC1e and analysts, to carry out kinetic and thermodynamic analysis and research on related materials and chemical reaction processes, and to amplify the debugging of the corresponding processes when necessary.	completed and is capable of issuing process safety assessment reports that meet the requirements	storage process to carry out process optimization of the more dangerous process, from the essence of the reaction process to reduce the risk of danger.	occurring
Development and industrialization of new emulsified starch	Research on the development of modified starches with excellent emulsifying properties based on tapioca starch instead of waxy corn starch.	Pilot process development in progress	New emulsified starch replaces waxy corn starch to improve the stability of modified starch supply and corresponding product quality	New type of emulsified starch replaces waxy corn starch to ensure timely supply of raw materials, avoiding the risk of supply cut-off and meeting the company's production needs.
HA Project	R&D aimed at stabilizing the production of ketone, IPDA, ADI and polymers	Project under construction	This research can stabilize the production of ketone, IPDA, ADI and polymers, providing customers with high-quality products and enhancing the company's efficiency	HA-related products are nationally encouraged projects with good application growth in the fields of curing agents, polyurethane, plastic fibers, and water-based coatings.
research on Simulation of moving bed technology and application	The research can meet the company's product production and R & D needs, continuous research and development and improvement of chromatographic separation technology, enhance the production process level of the company's products, and enhance the company's market competitiveness	The company has provided technical support for the separation and production of five small pilot separations and three production projects, and is now continuing to carry out technical research and solve separation problems in the workshop and R&D process according to demand	According to the target products and impurities, select the appropriate filler, process conditions, parameters, etc., mother liquor recovery, product purification, so as to achieve the goal of improving the separation yield, improve product quality, and enhance the level of process automation.	This research can help companies build core innovative competencies and provide better products to their customers
Development and application of high efficiency multiphase carbonylation catalysts	Preparation and application technology development of catalysts involving carbonylation synthesis unit in the synthesis of new and old products of the company	Carbonylation catalysts have been applied in the synthesis process of 2 products, and the related catalyst preparation technology is in the process of further optimization	Optimize the carbonylation synthesis unit technology in the company's product process route, prepare the corresponding catalysts, and improve the activity, selectivity and stability of the carbonylation reaction.	Carbonylation technology is atomically economical and has wider applications in the synthesis of aldehydes, acids, and esters, and in the future it can be utilized to develop more and better products by combining carbonylation technology with market demand.

Details of R&D personnel

Items	Year 2023	Year 2022	Percentage of change
Number of R&D personnel (persons)	2,803	2,629	6.62%
% to total employees	23.85%	22.81%	Increased by 1.04 percentage points
Educational background structure			
Technical secondary school, high school and below	135	139	-2.88%
Junior college	373	370	0.81%
Bachelor	1,388	1,345	3.20%
Master	828	700	18.29%
Doctor	79	75	5.33%
Total	2,803	2,629	6.62%
Age structure			
Below 30 years old	1,353	1,293	4.64%
30-40 years old	1,045	947	10.35%
Over 40 years old	405	389	4.11%
Total	2,803	2,629	6.62%

Details of R&D input

Items	Year 2023	Year 2022	Percentage of change
R&D input amount (yuan)	887,801,475.02	858,945,406.13	3.36%
% to total operating revenue	5.87%	5.39%	Increased by 0.48 percentage points
Capitalized amount (yuan)	0.00	0.00	0.00%
% to total R&D input	0.00%	0.00%	0.00%

Reason for significant changes in structure of the Company's R&D personnel and the effect

Applicable Not Applicable

Reason for significant changes in the proportion of total R&D input to operating revenue compared to the preceding period

Applicable Not Applicable

Reason for significant changes in capitalization rate of R&D input and remarks on the reasonability

Applicable Not Applicable

5. Cash flows

Unit: RMB Yuan

Items	Year 2023	Year 2022	YoY growth rate
Subtotal of cash inflows from operating activities	16,264,139,030.71	16,712,001,413.64	-2.68%
Subtotal of cash outflows from operating activities	11,144,768,167.39	12,350,520,330.03	-9.76%
Net cash flows from operating activities	5,119,370,863.32	4,361,481,083.61	17.38%
Subtotal of cash inflows from investing activities	950,343,311.05	1,919,918,190.77	-50.50%
Subtotal of cash outflows from investing activities	4,828,029,671.75	5,759,332,104.36	-16.17%
Net cash flows from investing activities	-3,877,686,360.70	-3,839,413,913.59	-1.00%
Subtotal of cash inflows from financing activities	5,996,318,716.61	6,855,158,371.64	-12.53%
Subtotal of cash outflows from financing activities	8,049,329,843.78	8,125,152,950.95	-0.93%
Net cash flows from financing activities	-2,053,011,127.17	-1,269,994,579.31	-61.66%
Net increase of cash and cash equivalents	-705,271,516.56	-562,695,606.37	-25.34%

Remarks on main factors leading to the significant changes in growth rates of relevant data

Applicable Not Applicable

The YoY growth rate of net cash flows from operating activities was 17.38%, which was mainly due to the decrease in procurement of raw materials during this reporting period.

The YoY growth rate of Subtotal of cash inflows from investing activities was -50.50%, which was mainly due to the decrease in redemption of financial products during the reporting period.

The YoY growth rate of Subtotal of cash outflows from investing activities was -16.17%, which was mainly due to the decrease in the purchase of property management products and the decrease in investment of construction work in process during the reporting period.

The YoY growth rate of Net cash flows from financing activities was -61.66%, which was mainly due to the decrease in new borrowings during the reporting period.

The YoY growth rate of Net increase of cash and cash equivalents was -25.34%, which was mainly due to the decrease in new borrowings during the reporting period.

Remarks on reason for significant difference between net cash flows from operating activities during the reporting period and net profit of the current period

Applicable Not Applicable

The large difference between net cash flow from operating activities and net profit of the Company is mainly due to the turnaround of construction in progress (Methionine project with annual output of 0.25 million tons, Shangyu Industrial Park PPS Project, NH acid projec, etc.) during the period under review, which affects the increase in accumulated depreciation of fixed assets and leads to a large impact of non-payment cost in the net profit of the current year.

V. Non-main business analysis

Applicable Not Applicable

Unit: RMB Yuan

Items	Amount	% to total profit before tax	Reason for balance	Whether has continuity
Investment income	83,054,284.94	2.55%	It was mainly due to realized profits and dividend income from associates during the reporting period.	No
Gains on changes in fair value ("-" means loss)	29,932,484.98	0.92%	It was mainly due to changes in the fair value of forward settlements during the reporting period.	No
Assets impairment loss ("-" means loss)	-227,048,860.06	-6.98%	It was mainly due to losses arising from the decrease in prices of vitamin series products and the provision for inventory depreciation.	No
Other income	202,088,522.53	6.21%	It was mainly due to government grants received during the reporting period.	No
Gains on asset disposal (or less: losses)	16,404,163.69	0.50%	It was mainly due to the disposal of fixed assets.	No
Non-operating revenue	7,931,135.56	0.24%	It was mainly due to income from claims.	No
Non-operating expenditures	14,502,738.61	0.45%	It was mainly due to losses on assets scrapped during the reporting period.	No

VI. Assets and liabilities analysis

1. Significant changes in asset composition

Unit: RMB Yuan

Items	Dec. 31, 2022		Jan. 1, 2022		Percent age of change	Remarks on significant changes
	Amount	% to total	Amount	% to total		
Cash and bank balances	4,543,361,146.98	11.60%	5,343,851,967.72	13.96%	-2.36%	
Accounts receivable	2,483,266,952.88	6.34%	2,476,269,041.23	6.47%	-0.13%	
Inventories	4,318,878,875.34	11.03%	4,144,557,702.39	10.83%	0.20%	
Long-term equity investments	697,145,200.08	1.78%	432,503,568.48	1.13%	0.65%	
Fixed assets	21,860,082,637.13	55.83%	16,523,867,858.53	43.18%	12.65%	It was mainly due to the conversion of Methionine project with annual output of 0.25 million tons during the reporting period.
Construction in progress	1,621,882,507.56	4.14%	5,089,233,908.22	13.30%	-9.16%	
Right-of-use assets	6,603,631.56	0.02%	2,830,136.37	0.01%	0.01%	
Short-term borrowings	1,235,688,062.90	3.16%	1,846,373,441.01	4.82%	-1.66%	
Contract liabilities	251,008,240.97	0.64%	60,660,929.75	0.16%	0.48%	
Long-term borrowings	6,821,643,194.58	17.42%	5,273,637,508.87	13.78%	3.64%	
Lease liabilities	5,240,136.43	0.01%	2,822,404.07	0.01%	0.00%	

Proportion of foreign assets to total assets is comparatively high

 Applicable Not Applicable

2. Assets and liabilities at fair value

 Applicable Not Applicable

Unit: RMB Yuan

Items	Opening balance	Gains on changes in fair value	Accumulated changes in fair value included in equity	Provision for impairment made in the current period	Amount purchased during the reporting period	Amount sold during the reporting period	Other changes	Closing balance
Financial assets								
1. Held-for-trading financial assets (derivative financial assets excluded)	720,000,000.00				145,000,000.00	720,000,000.00		145,000,000.00
2. Derivative financial assets	314,576.43	27,741,474.52						28,056,050.95
Subtotal of financial assets	720,314,576.43	27,741,474.52			145,000,000.00	720,000,000.00		173,056,050.95
Financial liabilities	0.00	0.00			0.00	0.00		0.00

Remarks on other changes

No

Whether the Company has significant changes in measurement attributes of main assets during the reporting period

 Yes No**3. Restrictions on assets as of the end of the reporting period**

Unit: RMB Yuan

Items	Book balance	Carrying amount	Type of restriction	Restrictions
Cash and bank balances	77,905,369.24	77,905,369.24	pledged	Banker's acceptance deposit
	12,048,779.84	12,048,779.84	pledged	Letter of Credit Deposit
	3,929,600.00	3,929,600.00	pledged	customs Deposit
	870,050.56	870,050.56	pledged	Safety Construction deposit
	853,216.21	853,216.21	pledged	Project works labor wage deposit
	661,215.83	661,215.83	pledged	Water deposit
	500,000.00	500,000.00	pledged	Letter of Guarantee Deposit
	22,500.00	22,500.00	pledged	ETC Deposit
Notes receivable	94,097,743.14	94,097,743.14	pledged	Opening a pledge of banker's acceptances
Receivables financing	143,872,489.15	143,872,489.15	pledged	Opening a pledge of banker's acceptances
Fixed assets	97,257,595.52	81,371,634.23	mortgaged	Mortgage to a bank for the purpose of obtaining a loan
Intangible assets	10,301,747.64	10,301,747.64	mortgaged	Mortgage to a bank for the purpose of obtaining a loan
Total	442,320,307.13	426,434,345.84		

VII. Investment status analysis**1. Overall information** Applicable Not Applicable

Investments during the reporting period (yuan)	Investments of the preceding period (yuan)	Percentage of change
3,377,423,672.72	5,034,909,624.27	-32.92%

2. Significant equity investments made during the reporting period Applicable Not Applicable**3. Significant non-equity investments in progress during the reporting period** Applicable Not Applicable**4. Investments in financial assets****(1) investments in securities** Applicable Not Applicable

There is no investment in securities during the reporting period.

(2) Investments in derivatives Applicable Not Applicable

1) Derivative investments for hedging purposes during the reporting period

√ Applicable □ Not Applicable

Unit: RMB 0,000 yuan

Types of Derivatives Investments	Initial Investment Amount	Opening amount	Gains or losses on changes in fair value for the period	Accumulated fair value changes recorded in equity	Amount purchased during the reporting period	Amount sold during the reporting period	End of period amount	Investment amount at the end of the period as a percentage of the company's net assets at the end of the reporting period
Forward contracts	35,506.29	35,506.29	2,993.25	0	454,255.58	294,114.67	195,647.20	7.85%
Total	35,506.29	35,506.29	2,993.25	0	454,255.58	294,114.67	195,647.20	7.85%
description of the accounting policies and specific principles of accounting for hedging operations during the reporting period, and whether there have been any significant changes compared to the previous reporting period				The Company accounts for the hedging business conducted in accordance with the relevant provisions of the Ministry of Finance's AS 22 - Recognition and AS 23 - Transfer of Financial Assets and AS 37 - Presentation of Financial Instruments and its guidance. There were no significant changes in accounting policies and specific principles of accounting compared with the previous reporting period.				
Description of actual profit or loss for the reporting period				In order to reduce the impact of exchange rate fluctuations on the Company's operating results, the Company carried out foreign exchange hedging business in accordance with a certain percentage of its export business, with business varieties mainly including forward exchange settlement and other foreign exchange derivative products, all of which were within the expected scale of sales business, and the actual gain or loss on derivatives at the end of the reporting period was 6.72 million yuan.				
Description of the hedging effect				The Company carries out foreign exchange hedging business based on the principle of exchange rate risk neutrality. By carrying out foreign exchange hedging business, the Company reduces the impact of exchange rate fluctuation on the Company's operation and effectively controls the operation risk.				
Derivatives Investment Funding				Self-funded.				
Risk analysis and description of control measures for derivative positions during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)				In order to prevent exchange rate risk, the Company and its subsidiaries have carried out derivative business and the Company and its subsidiaries have strictly implemented the "Foreign Exchange Hedging Business Management Regulations".				
Changes in market prices or product fair values of invested derivatives during the reporting period, and the analysis of the fair value of derivatives should disclose the specific methods used and the setting of relevant assumptions and parameters				The floating loss on fair value of derivatives during the reporting period was 29.93 million Yuan. Changes in fair value are determined at the end of each month based on quoted market prices from external financial institutions.				
Litigation involved (if applicable)				No				
Date of disclosure of board announcement for approval of derivative investments (if any)				April 21, 2023				
Special opinion of independent directors on the company's derivatives investment and risk control				The Company has formulated the "Management Measures for Foreign Exchange Hedging Business", which sets out specific operating procedures for conducting foreign exchange hedging business by strengthening internal controls, implementing risk prevention measures and improving management. The Company has analyzed the feasibility of its foreign exchange hedging business and, in general, it is practical and feasible for it to carry out foreign exchange hedging, which can effectively reduce the risk of exchange rate fluctuations and is conducive to stabilizing the profit level. The content and consideration procedures of the matter are in compliance with the relevant laws, regulations, regulatory documents and the Articles of Association, and do not constitute any damage to the interests of the Company and other shareholders. We unanimously agree with the Company to carry out foreign exchange hedging business this time.				

2) Investments in derivatives for speculative purposes during the reporting period

Applicable Not Applicable

The Company had no derivative investments for speculative purposes during the reporting period.

5. Use of raised funds

Applicable Not Applicable

(1) Overall use of raised funds

Applicable Not Applicable

Unit: RMB 0,000 yuan

Year of fund-raising	Way of fund-raising	Total amount raised	Net amount raised	Amount used in the current period	Accumulated amount of raised funds used	Total raised funds with changes in uses during the reporting period	Accumulated amount of raised funds with changes in uses during the reporting period	Proportion of raised funds with changes in uses to total raised funds	Total raised funds not yet used	Purposes of raised funds not yet used and the whereabouts	Raised funds being idle for over two years
Year 2017	Private placement of shares	486,707.55	486,707.55	134,059.96	511,879.75	0	0	0.00%	49,826.89	Deposited in special accounts for raised funds, used to purchase bank financial products, deposited as structured deposits	0
Total	--	486,707.55	486,707.55	134,059.96	511,879.75	0	0	0.00%	49,826.89	--	0
Remarks on overall use of raised funds											
<p>The Company's raised funds used in previous years amounted to 3,778.20 million yuan, the net amount of interest on cash in bank received in previous years less handling charges amounted to 88.12 million yuan, gains on financial products and structured deposits received in previous years amounted to 630.82 million yuan, and the net expenditure on financial products and structured deposits purchased in previous years amounted to 720.00 million yuan; the raised funds actually used in 2023 amounted to 1,340.60 million yuan, the net amount of interest on cash in bank received in 2023 less handling charges amounted to 17.58 million yuan, gains on financial products and structured deposits received in 2023 amounted to 13.48 million yuan, and the net recovery from financial products and structured deposits purchased in 2023 amounted to 575.00 million yuan; the accumulated amount of the raised funds used amounted to 5,118.80 million yuan, the accumulated net amount of interest on cash in bank received less handling charges amounted to 105.69 million yuan, the accumulated amount of gains on financial products and structured deposits received amounted to 644.30 million yuan, and net expenditure on financial products and structured deposits purchased amounted to 145.00 million yuan.</p> <p>As of December 31, 2023, the balance of raised funds was 498.27 million yuan, of which the balance in the special account was 353.27 million yuan (including the net amount of interest on cash in bank less handling charges, gains on financial products and structured deposits received on an accumulated basis).</p>											

(2) Committed projects with raised funds

Applicable Not Applicable

Unit: RMB 0,000 yuan

Committed investment projects and over-raised funds whereabouts	Whether changed (including partial changed)	Total committed investment in raised funds	Total amount after adjustment (1)	Input during the reporting period	Accumulated input as of the period end (2)	Investment progress as of the period end (3)=(2)/(1)	Date of reaching designed usable conditions	Benefit realized in the reporting period	Whether the expected benefit is reached	Whether there was significant changes in feasibility of the project
Committed investment projects										
Methionine project with annual output of 0.25 million tons	No	486,707.55	486,707.55	134,059.96	511,879.75	105.17%	December 31, 2023	71,084.98	Yes	No
Subtotal	--	486,707.55	486,707.55	134,059.96	511,879.75	--	--	71,084.98	--	--

Over-raised funds whereabouts										
No										
Total	--	486,707.55	486,707.55	134,059.96	511,879.75	--	--	71,084.98	--	--
Conditions of and reasons for not meeting the planned schedule or estimated revenue (by specific project)	Pursuant to the results deliberated and approved by the eighth meeting of the eighth session of Board of Directors and the seventh meeting of the eighth session of the Board of Supervisors dated October 27, 2021, the Company intended to adjust the date when the methionine project with annual output of 0.25 million tons reaches the designed usable conditions from the originally planned December 2021 to June 2023, with other contents remaining unchanged. Main reasons: Due to the impact of the macro economy, the construction progress of the project's infrastructure has been delayed, the procurement and delivery time of some equipment and materials has been extended, the installation and commissioning of equipment has been delayed, and the overall progress of the investment projects with raised funds has slowed down, which jointly resulted in the postponement of delivery of the projects. Currently, The project's 0.25million tons production line has now met the capitalization conditions and has been transferred to fixed assets.									
Remarks on significant changes in feasibility of projects	None.									
Amount, purposes and progress of use of over-raised funds	Not Applicable									
Changes in implementation locations of investment projects with raised funds	Not Applicable									
Adjustment on the implementation method of investment projects with raised funds	Not Applicable									
Preliminary investment and replacement of investment projects with raised funds	Applicable Preliminary investment amounted to 36.06 million yuan, and the replacement of raised funds is completed.									
Temporary replenishment of working capital with idle raised funds	Not Applicable									
Amount of and reasons for the balance of raised funds in the implementation of projects	Not Applicable									
Uses and whereabouts of unused raised funds	Deposited in special accounts for raised funds, used to purchase bank financial products, deposited as structured deposits									
Problems or other situations in the use and disclosure of raised funds	None.									

(3) Change of projects with raised funds

Applicable Not Applicable

There is no change of projects with raised funds during the reporting period.

VIII. Sale of major assets and equities

1. Sale of major assets

Applicable Not Applicable

There is no sale of major assets during the reporting period.

2. Significant sale of equities

Applicable Not Applicable

IX. Major entities controlled or invested by the Company

Applicable Not Applicable

Major subsidiaries and investees with influence on net profit of the Company over 10% (inclusive)

Unit: RMB Yuan

Entities	Categories	Major businesses	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Shandong NHU Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of fragrances	590 million yuan	396,158.64	321,785.69	358,508.59	135,460.24	116,438.69
Shandong NHU Amino-acids Co., Ltd.	Subsidiary	Production and sales of methionine	1,100 million yuan	1,025,647.07	890,171.17	386,200.41	119,846.82	105,539.03
Shandong NHU Vitamins Co., Ltd.	Subsidiary	Production and sales of feed additives	500 million yuan	371,167.68	319,164.68	220,763.57	94,135.47	81,652.19
Heilongjiang NHU Biotechnology Co., Ltd.	Subsidiary	Production and sales of fragrances	700 million yuan	668,766.81	5,118.34	184,534.83	-58,822.29	-59,118.17

Remarks on major holding investees

Details of acquisition and disposal of subsidiaries during the reporting period

Applicable Not Applicable

Subsidiaries	Method for acquisition and disposal of subsidiaries during the reporting period	Effect on the overall production, operation and performance
Shandong New Shuang'an Biotechnology Co., Ltd	Acquisition	No significant effect at the beginning of the period.

X. Structured entities controlled by the Company

Applicable Not Applicable

XI. Outlook for the future development of the Company

1. The Company's development strategy

The company will consistently adhere to the development strategy of integration, serialization and synergy, adhere to the strategic main channel of "chemical +" and "biological +", improve the ability of applied research and application services, focus on the business of nutrition products, flavors and spices, polymer new materials and APIs, adhere to innovation-driven development of various functional chemicals, and strengthen the construction of technology and industrial platforms. Strengthen the introduction and cooperation of advanced equipment, relying on the four modern production bases of Xinchang, Zhejiang, Shangyu, Shandong Weifang, Heilongjiang Suihua, etc., to realize the extension of the industrial chain, deepen the global marketing network, and promote the sustainable and high-quality development of the company. At the same time, the company actively pays attention to and cultivates functional chemical opportunities related to strategic emerging industries such as plant protection industry, new energy industry, energy conservation and environmental protection industry and information industry.

(1) It will continue to expand and strengthen the nutrition business. On the basis of integration and market coordination, lean operation, and continuously improve the comprehensive competitiveness of existing products; At the same time, the rapid development of strategic products, ensure the implementation of key projects, constantly enrich product categories, and improve the comprehensive competitiveness of products; Continue to deepen the global marketing network layout, improve product application service capabilities.

(2) It will develop wider and deeper in flavor and fragrance business. From the current product structure mainly based on citral series, linalool series and leaf alcohol series, we will gradually diversify, promote the landing of new projects, constantly introduce integrated, serialized and coordinated new flavor varieties, realize the functionalization and differentiation of products, and continue to improve the core competitiveness of products through internal and external integration, technological innovation and research and development, and lean management.

(3) It will continue its development in new material business. The company based on "chemical +, biological +", the new material industry into an important pillar industry of the company, become a new material industry. Guided by cost leadership, we adhere to integration and serialization development ideas, integrate resources, open cooperation, focus on polymer and key intermediates, make

large products, and coordinate the development of downstream applications; Accurately grasp marketing strategies, improve application service capabilities, deploy future product market development in advance, and improve the profitability of existing products.

(4) It will focus on making more special and refined APIs. With "leading technology, quality first, proficient in regulations, and industrial collaboration." In order to guide the idea, we will make use of the company's existing industrial supporting advantages, integrate the company's resources, plan and build a professional base, increase the research and application of new products, new technologies and new equipment in the field of apis, achieve differentiated development, and actively promote the core competitiveness of existing products and the expansion of emerging markets.

2. Business plan of the Company

In 2024, the company will focus on the business guiding ideology of "expanding the market, seeking development, strong management, and preventing risks", strengthen confidence, adhere to the strategic main channel of "chemical +" and "biological +", seize opportunities, practice internal skills, and achieve high-quality development. It mainly focuses on the following aspects:

(1) Go all out, collaborating production and sales to expand the market. First, we will take multiple measures to expand market share. Flexible use of sales strategies, through product differentiation development to accelerate market development, optimize customer service to strengthen cooperation, through effective channels to do value marketing to enhance brand influence. Second, we will strengthen sales support through multi-party linkage. Strengthen production and marketing coordination, do a good job in efficient and low-cost production scheduling, ensure supply chain security around key raw materials, do a good job in customer-centric quality support, and continue to optimize production costs to enhance product competitiveness. Third, more efforts will be made to promote sales layout. Promote marketing digitalization and information upgrading, optimize the "sales + service" model to do a good job of differentiated marketing, strengthen the introduction and training of marketing talents, strengthen the construction of global sales network to improve global sales coordination.

(2) Innovation-driven, concentrating efforts for development. First, we will focus on key products and improve innovation efficiency. To improve research and development efficiency through management process optimization, information technology and other methods, focus on key product research and development, focus on old product technology improvement, and effectively undertake market demand to complete product downstream application research. Second, we will deepen cooperation with other countries and speed up the process of internationalization. It is necessary to improve the international development plan, expand the coverage of innovation cooperation, integrate high-quality global resources, and deepen strategic cooperation with upstream and downstream industrial chain enterprises. Third, accelerate the platform construction, strengthen innovation support, and efficiently promote the construction of modular technology platforms with the help of internal and external resources; Focus on the needs of the industry, and give play to the value of innovative technology in industrial practice. Fourth, we will promote key projects and ensure the implementation of the strategy. Focus on strategic objectives, allocate resources, and promote the construction progress and test acceptance of projects under construction; Complete the production test of the put into production; Evaluate the maturity of uninitiated projects and accelerate the implementation; Strengthen the demonstration and control of technical transformation and overhaul projects to ensure the effectiveness of projects.

(3) Excellence chasing, enhancing professionalism and strengthen management. First, digital transformation has made a new leap. Enhance the application value of business and data, deepen the construction of smart factories, optimize chemical models with mature experience, and improve the intelligent manufacturing system. Second, we need to improve the production and operation system. Strengthen the daily supervision and risk control of the quality management system, optimize the customer support process; Strengthen the target management of the energy management system and measures for energy conservation and carbon reduction, and explore the transformation of the energy structure. Third, new actions should be taken in ESG management. To undertake customer carbon reduction requirements, plan carbon emission reduction routes, accelerate the construction of comprehensive management and social responsibility management mechanisms, and continue to promote cleaner production. Fourth, the integrity of assets should be improved. Comprehensively promote asset integrity system to improve equipment management level; Promote the information construction of

equipment and improve the level of automation. New breakthroughs have been made in building a high talent base. Optimize organizational structure and job responsibilities, strengthen employer brand building, and improve recruitment quality; Improve the construction of talent echelon and training course system, and promote management improvement. Sixth, we must make new achievements in the construction of corporate culture. Give play to the leading role of culture and create a "culture +" communication model. Strengthen the role of "cultural service management", build cultural brand activities, and enhance the corporate image.

(4) Consistent, keeping stable operation to preventing risks. First, we need to strengthen management and control of business risks. Strengthen industry and policy research and judgment, strive for policy resources, and do a good job in project compliance approval; Refine the overall budget management, optimize cost control, improve the credit rating system, and prevent bad debt risks; Control the scale and pace of investment, do a good job in exchange rate analysis, and ensure operating cash flow; Assess tax risks, establish early warning mechanisms, and consolidate corporate governance and internal control. Second, we need to strengthen operational risk management. Adhere to the red line of production safety, upgrade the HSE management system, and strengthen the construction of professional safety teams; Establish a risk assessment mechanism, sort out compliance risks, and strengthen regulation learning; Establish a foreign-related compliance committee to guide the code of conduct for employees. Third, we will strengthen protection of intellectual property rights. Optimize secret-related management requirements, realize the protection of trade secrets in the whole process, comprehensively carry out patent risk assessment, layout key technologies in advance, and safeguard the rights and interests of the company.

3. Possible risks

(1) Macroeconomic risks

The global economy is facing numerous uncertainties due to international trade frictions and possible intensification of geopolitical conflicts. The company will accelerate the pace of globalization, speed up the global strategic layout, continuously improve the construction of global innovation, sales, and information centers, establish a diversified innovation chain, supply chain, and customer base, to promote the company's steady development.

(2) Industry and market competition risks

The Company is facing peer competition in both domestic and international markets. The development of new technologies by its competitors will not only impact the market, but also challenge the Company's market position in the industry. In the future, the Company will continuously enhance its R&D and innovation capabilities, improve its technology, strengthen cost control, and improve the competitiveness in the industry.

(3) Risks of raw material price fluctuation

As cost of raw materials accounts for a relatively high proportion of the total cost, the price fluctuations caused by the supply-demand imbalance of raw material will have an impact on the Company's profit. In the future, the Company will reduce the adverse impact of raw material price fluctuations through market research and judgment, establishing strategic partnership with suppliers, and improving the utilization rate of raw materials.

(4) Exchange rate and trade risks

The company provides products and services to customers in more than 100 countries and regions around the world. Political risks, trade obstacles and exchange rate fluctuations caused by Sino-US trade frictions, international political and economic instability will have a certain impact on the company's sales revenue and profitability. In the future, the company will take targeted measures to actively respond to changes in the international market, strive to stabilize its international market position and actively explore new economic growth points to maintain the steady growth of the company's performance.

(5) Risks of changes in environmental protection policies

With the increased social awareness of environmental protection, the promotion of the ecological civilization construction of the CPC

Central Committee, and the strategic goal of “carbon emission peak and carbon neutrality”, the requirements for energy conservation, emission reduction, safety, and environmental protection in the chemical and pharmaceutical manufacturing industry in which the Company operates are stricter than before. The Company will operate with higher standards and explore more environmentally friendly ways of production to achieve sustainable development.

XII. Researches, communications, and interviews received by the Company during the reporting period

√ Applicable □ Not Applicable

Date of reception	Reception site	Way of reception	Type of visitor	Visitors	Major contents of conversation and information provided	Index for basic information of the investigation
April 26, 2023	"Investor Relations Interactive Platform" of Shenzhen Panorama Network	Network platform online communication	Others	Investors who attended the Company's online annual performance presentation of 2022	Introduce the operating conditions of the Company and answer questions from investors	Please refer to the Investor Relations Activities Record Sheet of April 26, 2023, which published at the website http://irm.cninfo.com.cn/sse/ssgs/S002001 for details.
October 19, 2023	Shanghai office of SZSE and online communication platform of SZSE	Field research	Others	Investors who attended the "Industry Benchmark Laying the Foundation-Collective Exchange Activity" organized by SZSE.	Introduce the operating conditions of the Company and answer questions from investors	Please refer to the Investor Relations Activities Record Sheet of October 19, 2023, which published at the website http://irm.cninfo.com.cn/sse/ssgs/S002001 for details.
December 26, 2023	Grand Kempinski Hotel Shanghai	Field research	Institution	1. Zheshang Securities 2. Guotai Asset Management 3. Merchants Securities 4. China Universal Asset Management 5. Aegon-industrial Fund Management 6. CIB fund Management 7. Greenwoods Asset 8. Rongsheng Fund 9. Lord Abbett China Asset Management 10. Fulin Assets 11. United Advance Capital 12. Shanghai Shifeng Assets 13. CITIC-Prudential Fund Management 14. Zhonghai Fund Management 15. Vanfon funds 16. BOC Investment Management 17. Shanghai Wudi Funds 18. Bank Of Communications Schroder Fund Management 19. Bosera Asset Management 20. Shanghai Cubetrad Investment Management 21. Yinhua Fund Management 22. Ashmore-CCSC Fund Management 23. Taiping Asset Management 24. JPMorgan Funds 25. Western Leadbank Fund Management 26. Shanghai Elegant Investment	Introduce the operating conditions of the Company and answer questions from investors	Please refer to the Investor Relations Activities Record Sheet of December 26, 2023, which published at the website http://irm.cninfo.com.cn/sse/ssgs/S002001 for details.

XIII. Implementation of the "Quality-Return dual improvement" action plan

Whether the company disclosed the "quality-return dual improvement" action plan.

√Yes □ no

In order to implement the guiding ideology of "to activate the capital market and boost investor confidence" proposed by the Political Bureau meeting of the CPC Central Committee and "to vigorously improve the quality and investment value of listed companies, to take more effective and effective measures to stabilize the market and stabilize confidence", safeguard the rights and interests of all shareholders, enhance investor confidence, and promote the long-term sustainable development of the company. The Company published the "Announcement on the Action Plan of" Double Improvement of Quality and Return "(2024-002) on designated information disclosure media and <http://www.cninfo.com.cn> on March 9, 2024, The main content of the action plan includes four aspects: "Innovation-driven development, excellence and specialization", "Contributor-based sharing of the company's development results", "deepening corporate governance and improving the standard operation level", and "compliance information disclosure and sincere two-way communication".

During the reporting period, the company continued to actively return shareholders with relatively stable profit distribution policies

and cash dividend programs, allowing investors to share the results of the company's business development. In addition, in order to boost market confidence, promote employees to create, share, share and co-enrich with enterprises, improve employees' enthusiasm, creativity and responsibility, and enhance the company's cohesion and competitiveness. The company launched the fourth phase of the employee stock ownership plan and completed the stock purchase in September 2023, with the purchase amount of 480 million yuan. The controlling shareholder NHU Holding Group Co., Ltd. proposed the plan to increase its holdings in 2023, with the amount for increasing the shares not less than 200 million yuan and not more than 300 million yuan, and the implementation was completed in March 2024, with the purchase amount of 300 million yuan. When the secondary market was in turmoil in 2023, the Company disclosed the "Announcement on the Commitment of the Controlling Shareholders, the actual controller and the Board Supervisor not to reduce the shares of the Company", and NHU Holding Group Co., Ltd. and Mr. Hu Baifan, the actual controller, together with other directors and senior management personnel who hold the company's shares, promised not to reduce their shares in the next six months.

The company will continue to develop functional chemicals through technology development and product innovation, enrich the product line of the fine "chemical +" and "biological +" platform, do the best and specialize in the main fine chemical industry, constantly improve the core competitiveness, and achieve steady and sustainable development of enterprises. In the future, under the premise of ensuring normal operation, the company insists on providing investors with continuous and stable cash dividends, and combines the company's operating status and business development goals to bring long-term investment returns to shareholders. At the same time, the company continues to deepen corporate governance, improve the standard operation level, take the initiative to convey value concepts to investors, understand investors' views and suggestions on the company's operation and development, guide investors to take the initiative to pay attention to the company's announcement, news and other official channel information, and constantly improve the two-way communication mechanism between the company and investors.

Section IV Corporate Governance

I. Basic information

During the reporting period, the Company further improved its corporate governance structure and internal control system, strengthened its information disclosure management, actively carried out investor relations management and constantly promoted its corporate governance in strict accordance with the “Company Law of the People’s Republic of China”, the “Securities Law of the People’s Republic of China” and relevant laws, regulations and regulatory documents of CSRC and the Shenzhen Stock Exchange.

1. About shareholders and general meetings: The Company convenes and holds general meetings in accordance with the requirements of the “Rules for General Meetings of Listed Companies” and its “Rules of Procedure of General Meetings”, treats all shareholders equally, ensures that all shareholders, especially small and medium-sized shareholders, have equal status and fully exercise their rights, and ensures that all shareholders have the legal rights to information, participation and voting on significant events.

2. About relationship between the controlling shareholder and the Company: The Company has independent business and self-management ability. The Company’s controlling shareholder strictly regulates its own behavior, exercises the rights of investor through general meetings, and does not directly or indirectly interfere with the decision-making and operation activities of the Company beyond the general meetings. The related party transactions between the Company and the controlling shareholder are on an arm’s length basis, while these two are independent of each other in personnel, property, finance, organization and business, and the Company’s Board of Directors, Board of Supervisors and internal organizations can operate independently.

3. About directors and the Board of Directors: The Company elects directors and engages independent directors in strict accordance with the selection and appointment procedures as stipulated in the “Company Law” and the “Articles of Association”. The board size and composition meet the requirements of laws and regulations. In accordance with the “Rules of Procedure of the Board of Directors” and other rules, all directors can seriously attend board meetings, faithfully perform their duties for the interests of the Company and all shareholders, actively participate in relevant training, learn relevant laws and regulations, and promote the standardized operation and scientific decision-making of the Board of Directors. The meeting procedures of the Board of Directors comply with legal requirements, the minutes are complete and true, and the disclosure of information related to the meetings is timely, accurate and sufficient.

4. About supervisors and the Board of Supervisors: The Company’s Board of Supervisors strictly implements relevant provisions of the “Company Law” and the “Articles of Association”, and its size and composition meet the requirements of laws and regulations. Under the principle of being responsible to all shareholders, especially small and medium-sized shareholders, the Board of Supervisors perform their duties conscientiously, conducts supervision on the Company’s financial position, significant events, related party transactions as well as the legality and compliance of directors and other senior executives in the performance of their duties, and expresses opinions independently in accordance with the “Rules of Procedure of the Board of Supervisors” and other rules.

5. About performance evaluation and incentive and restraint mechanism: The Company’s performance evaluation and incentive mechanism is fair and transparent, and the emoluments of directors, supervisors and senior executives are based on the Company’s performance and individual performance; the appointment of senior executives strictly follows the “Articles of Association” and relevant laws and regulations.

6. About information disclosure and transparency: The Company designates the secretary of the Board of Directors to be responsible for information disclosure and receiving visits and inquiries from shareholders, and designates Securities Times, Shanghai Securities News, China Securities Journal, and Cninfo (<http://www.cninfo.com.cn>) as the designated newspapers and websites for the Company’s information disclosure; Complying with relevant laws and regulations and the requirements of the Company’s “Information Disclosure Management System”, the Company discloses relevant information in a true, accurate, complete and timely manner to ensure that all shareholders have equal access to information.

7. About stakeholders: the Company can fully respect and safeguard the legitimate rights and interests of stakeholders, realize the coordination and balance of interests among shareholders, employees, society and other parties, and jointly promote the sustainable and healthy development of the Company.

Whether there is a significant difference between the actual situation of corporate governance and laws, administrative regulations and rules on the governance of listed companies issued by the CSRC

Yes No

There is no significant difference between the actual situation of corporate governance and laws, administrative regulations and rules on the governance of listed companies issued by the CSRC.

II. The Company's efforts in ensuring the independence of its assets, personnel, finance, organization, business, etc. from the controlling shareholder and actual controller

During the reporting period, the Company and the controlling shareholder were completely separated in terms of business, personnel, assets, finance, organization, etc. With stable production and operation, complete internal organization, the Company was able to operate independently and in a standardized manner.

1. Independence of business

The Company operates independently under a complete business structure, and has no business in horizontal competition with that of the controlling shareholder. The controlling shareholder does not directly or indirectly interfere with the Company's business operations.

2. Independence of personnel

The Company's labor, personnel and remuneration management are completely independent. The Company has entered into labor contracts with employees, and formulated a strict labor system such as employment, assessment, promotion, training, etc. All employees are paid by the Company. All senior executives work full-time and receive emoluments from the Company, and do not hold any administrative positions concurrently in the controlling shareholder and its subordinate entities.

3. Independence of assets

The Company has an independent and complete production, supply, sales system and supporting facilities, and has independent industrial property rights, trademarks, non-patented technologies and other intangible assets.

4. Independence of finance

The Company has an independent financial and accounting department, and has established an independent accounting system and financial management system to make financial decisions independently. The Company opens bank accounts and pays taxes independently.

5. Independence of organization

The Company's organization is independent from the controlling shareholder. The Company has established a relatively sound organizational structure, and has established decision-making and supervision institutions such as the general meeting of shareholders, the Board of Directors, the Board of Supervisors, etc. The Company set up the Board Office, Audit Department, Financial Department, Securities Department, President's Office, Human Resources Department, Production and Operation Department, HSE Management Department, Engineering Equipment Management Department, Logistics Department, Marketing Service Department, Science and Technology Cooperation Department, Intellectual Property Department, Research Institute and other functional departments. The aforementioned institutions and functional departments operate independently, and there is no situation where the controlling shareholder's institutions act on behalf of the Company.

III. Horizontal competition

Applicable Not applicable

IV. Annual general meeting and extraordinary general meetings held during the reporting period

1. General meeting of shareholders

Session	Type of meetings	Proportion of participating investors	Meeting date	Disclosure date	Resolutions
General meeting of shareholders of 2022	Annual general meeting of shareholders	52.95%	May 19, 2023	May 20, 2023	9 proposals including the <i>Annual Work Report of the Board of Directors of 2022</i> were deliberated and approved. Please refer to Announcement No. 2023-025 disclosed on http://www.cninfo.com.cn for details.
The first extraordinary general meeting of shareholders in 2023	Extraordinary general meeting of shareholders	55.24%	June 26, 2023	June 27, 2023	2 proposals including the <i>Forth Phase of Employee Stock Ownership Plan (Draft) of Zhejiang NHU Co., Ltd. and Summary</i> were deliberated and approved. Please refer to Announcement No. 2023-032 disclosed on http://www.cninfo.com.cn for details.
The second extraordinary general meeting of shareholders in 2023	Extraordinary general meeting of shareholders	54.36%	September 19, 2023	September 20, 2023	4 proposals including the <i>proposal regarding the election of non-independent directors during the board of directors' reshuffle</i> were deliberated and approved. Please refer to Announcement No. 2023-056 disclosed on http://www.cninfo.com.cn for details.

2. Preference shareholders with restored voting rights request to convene an extraordinary general meeting

Applicable Not applicable

V. Directors, supervisors and senior executives

1. Basic information

Name	Gender	Age	Position	Status	Commencement date of service	Termination date of service	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/decrease (shares)	Number of shares held at the end of the period (shares)	Reasons for increase or decrease
Hu Baifan	Male	62	Chairman	Incumbent	2/26/1999	9/19/2026	13,922,998				13,922,998	
Hu Baishan	Male	57	Vice Chairman, President	Incumbent	2/26/1999	9/19/2026	14,595,929				14,595,929	
Shi Guanqun	Male	53	Director, Vice President, Secretary of the Board, CFO	Incumbent	2/26/1999	9/19/2026	10,477,838				10,477,838	
Wang Xuewen	Male	55	Director, Vice President	Incumbent	2/26/1999	9/19/2026	8,877,931				8,877,931	
Wang Zhengjiang	Male	55	Director	Incumbent	4/12/2008	9/19/2026	459,000				459,000	
Zhou Guiyang	Male	49	Director	Incumbent	4/20/2011	9/19/2026	165,242				165,242	
Yu Hongwei	Male	53	Director	Incumbent	9/19/2023	9/19/2026						
Yu Baijin	Male	57	Director	Leave office	9/15/2020	9/19/2023						
Ji Jianyang	Male	45	Independent Director	Incumbent	9/15/2020	9/19/2026						

Name	Gender	Age	Position	Status	Commencement date of service	Termination date of service	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/decrease (shares)	Number of shares held at the end of the period (shares)	Reasons for increase or decrease
Shen Yuping	Male	67	Independent Director	Incumbent	9/19/2023	9/19/2026						
Wang Feng	Male	48	Independent Director	Incumbent	9/19/2023	9/19/2026						
Wang Yang	Male	45	Independent Director	Incumbent	9/19/2023	9/19/2026						
Huang Can	Male	45	Independent Director	Leave office	7/12/2017	9/19/2023						
Jin Zanfang	Female	48	Independent Director	Leave office	7/12/2017	9/19/2023						
Zhu Jianmin	Female	60	Independent Director	Leave office	7/12/2017	9/19/2023						
Lyu Guofeng	Male	52	Chairman of the Board of Supervisors	Incumbent	9/15/2020	9/19/2026						
Zhao Jia	Female	43	Supervisor	Incumbent	9/19/2023	9/19/2026						
Wang Xiaobi	Female	42	Supervisor	Incumbent	9/19/2023	9/19/2026						
Yan Hongyue	Male	54	Supervisor	Incumbent	9/15/2020	9/19/2026						
Li Huafeng	Male	41	Supervisor	Incumbent	9/19/2023	9/19/2026						
Shi Fangbin	Female	48	Chairman of the Board of Supervisors	Leave office	9/15/2020	9/19/2023						
Yu Hongwei	Male	53	Supervisor	Leave office	9/15/2020	9/19/2023						
Chen Zhaofeng	Male	47	Supervisor	Leave office	9/15/2020	9/19/2023						
Zhang Liying	Female	47	Vice President	Incumbent	9/19/2023	9/19/2026	47,400				47,400	
Total	--	--	--	--	--	--	48,546,338				48,546,338	--

Whether there was any resignation of directors and supervisors and dismissal of senior executives during the reporting period

Yes No

1. The Company held the second extraordinary general meeting of shareholders of 2023 on September 19, to complete the re-election election, and elected non-independent directors Hu Baifan, Hu Baishan, Shi Guanqun, Wang Xuewen, Wang Zhengjiang, Zhou Guiyang and Yu Hongwei, and elected independent directors Ji Jianyang, Shen Yuping, Wan Feng and Wang Yang to form the ninth Board of Directors of the Company. Elected non-employee representative supervisors Lvu Guofeng, Zhao Jia, Wang Xiaobi, and employee representative supervisors Yan Hongyue and Li Huafeng elected by the company's employee congress to form the ninth Board of Supervisors of the company. The eighth director Yu Baijin, the eighth independent director Huang Can, Jin Zanfang and Zhu Jianmin, and the eighth supervisor Shi Fangbin, Yu Hongwei and Chen Zhaofeng left office after their terms of office expired.

2. The company held the first meeting of the ninth board of directors on September 19, 2023, elected Hu Baifan as the chairman, Hu Bai-Shan as the vice chairman, hired Hu Bai-Shan as the president of the company, Shi Guanqun as the secretary of the board, hired Shi Guanqun, Wang Xuewen, Zhang Liying as the vice president of the company, and Shi Guanqun as the financial director of the company. On the same day, the company held the first meeting of the ninth Board of Supervisors and elected Lvu Guofeng as the chairman of the Board of Supervisors.

For details, please refer to *the Announcement on the Completion of the Election of the Board of Directors and the Board of Supervisors and the Appointment of Senior Management Personnel, Securities Affairs Representative and Head of Internal Audit*, (2023-059) published by the Company on designated information disclosure media and <http://www.cninfo.com.cn>.

Changes of directors, supervisors and senior executives

Applicable Not applicable

Name	Position	Type	Date	Reasons
Yu Baijin	Director	Expiration of employment	Sept. 19, 2023	Expiration of employment
Huang Can	Independent Director	Expiration of employment	Sept. 19, 2023	Expiration of employment

Name	Position	Type	Date	Reasons
Jin Zanfang	Independent Director	Expiration of employment	Sept. 19, 2023	Expiration of employment
Zhu Jianmin	Independent Director	Expiration of employment	Sept. 19, 2023	Expiration of employment
Shi Fangbin	Chairman of the Board of Supervisors	Expiration of employment	Sept. 19, 2023	Expiration of employment
Chen Zhaofeng	Supervisor	Expiration of employment	Sept. 19, 2023	Expiration of employment
Yu Hongwei	Director	Appointed	Sept. 19, 2023	Expiration of employment as a supervisor, Elected as a director on the second extraordinary general meeting of shareholders in 2023
Shen Yuping	Independent Director	Elected	Sept. 19, 2023	Elected on the second extraordinary general meeting of shareholders in 2023
Wang Feng	Independent Director	Elected	Sept. 19, 2023	Elected on the second extraordinary general meeting of shareholders in 2023
Wang Yang	Independent Director	Elected	Sept. 19, 2023	Elected on the second extraordinary general meeting of shareholders in 2023
Lyu Guofeng	Chairman of the Board of Supervisors	Elected	Sept. 19, 2023	Elected on the first meeting of the Ninth Supervisory Board
Zhao Jia	Supervisor	Elected	Sept. 19, 2023	Elected on the second extraordinary general meeting of shareholders in 2023
Wang Xiaobi	Supervisor	Elected	Sept. 19, 2023	Elected on the second extraordinary general meeting of shareholders in 2023
Li Huafeng	Supervisor	Elected	Sept. 19, 2023	Elected on the Employee Representative Congress
Zhang Liying	Vice President	Appointed	Sept. 19, 2023	Appointed on the first meeting of the Ninth Board of Directors

Remarks on other information

Applicable Not Applicable

2. Profiles of directors, supervisors and senior executives

Professional background, main work experience and main responsibilities of current directors, supervisors and senior managers of the company

Hu Baifan (Graduate, Senior Economist) currently serves as the Chairman of the Company. He used to work in Xinchang Dashiju Vocational Middle School.

Hu Baishan (EMBA of Zhejiang University, Senior Engineer) currently serves as the Vice Chairman and President of the Company. He used to be the Deputy General Manager of the Company.

Shi Guanqun (Accountant) currently serves as the Director, Vice President, Secretary of the Board of Directors and CFO of the Company. He used to be the manager of the Financial Department of the Company.

Wang Xuewen (majoring in business management at Donghua University) currently serves as the Director and Vice President of the Company, and the General Manager of the Nutrition Business Department. He used to be the manager of the Company's supply and marketing company.

Wang Zhengjiang (Master's degree, Senior Engineer) currently serves as the Director of the Company, General Manager of Methionine Business Department, and the General Manager of Shandong NHU Amino-acids Co., Ltd. He used to be the manager of Shangyu NHU Bio-Chem Co., Ltd.

Zhou Guiyang (Bachelor's degree) currently serves as the Director of the Company and General Manager of Zhejiang NHU Special Materials Co., Ltd. and General Manager of Zhejiang Xinhecheng Nylon Material Co., Ltd. and General Manager of Shangyu Base. He used to be the Deputy General Manager of Shangyu NHU Bio-Chem Co., Ltd.

Yu Hongwei (Bachelor's degree) currently serves as the Supervisor of the Company, General Manager of Shandong Industrial Park and General Manager of Shandong NHU Vitamins Co., Ltd. and Shandong NHU Fine Chemical Science and Technology Co., Ltd. He used to be the Deputy Chief Engineer of Zhejiang Juhua Group Co., Ltd.

Ji Jianyang, (Master's degree), independent director, has been a partner of Beijing Guantao Zhongmao (Hangzhou) Law Firm since 2014, and a practice tutor of Zhejiang University Law School, and served as independent director of Jingu Stock (002488) and Fengli Intelligence (301368).

Shen Yuping (PhD in Economics), independent director, has served as professor and dean of Zhejiang University of Finance and Economics, and is currently a professor of Zhejiang University of Finance and Economics, a master's supervisor, a famous teacher in Zhejiang Province, a registered tax agent, a talent of "151 Talent Project", and vice president of Zhejiang Tax Society. He is also the independent director of Hongxun Technology (603015) and Jiaao Environmental Protection (603822).

Wan Feng, Ph.D., independent Director, has served as senior software Engineer of Oracle Software Company (China), Assistant Professor of Business and Management School of Beijing Normal University, and Associate Professor of University of East Anglia. Since 2021, he has been an associate professor of International Business School of Zhejiang University.

Wang Yang (Doctor of Accounting), independent director, has successively served as senior manager of Ping An Securities Co., LTD., Post-doctoral workstation of Shenzhen Stock Exchange, senior manager of Beijing Working Group, senior manager of National Small and Medium Enterprises Share Transfer System Co., LTD., senior manager of Zhongguancun Innovative and Entrepreneurial Enterprises Listing Training Base of Shenzhen Stock Exchange. Since 2018, he has been the director of risk control and the person in charge of compliance risk control of Beijing Zhiming Haojin Investment Management Co., LTD. He is also the independent director of Intech Medical (300677).

Lv Guofeng, (Master's degree) Chairman of the Board of Supervisors of the Company, is currently the general manager of Heilongjiang Xinhecheng Biotechnology Co., LTD., and used to be the general manager of Fragrance Division, general manager of Shandong Xinhecheng Pharmaceutical Co., LTD., and general manager of Shangyu Production Area of Nutrition Division.

Zhao Jia, (Master's degree) Supervisor of the company, currently serves as the director of Risk Control Department of Xinhecheng Holding Group Co., LTD. He is also the chairman of the Board of Supervisors of Beijing Fuyuan Pharmaceutical Co., LTD., and the supervisor of Shaoxing Yuexiu Education Development Co., LTD., Zhejiang Jingshi Real Estate Co., LTD., Shaoxing Heyue Property Services Co., LTD. He served as the legal secretary of Xinhecheng Holding Group Co., LTD., the secretary of the board of Fuyuan Pharmaceutical Co., LTD., and the director of the Supervision Department of Xinhecheng Holding Group Co., LTD.

Wang Xiaobi, (Bachelor's degree) senior accountant, Supervisor of the Company, currently Assistant Vice President of the company and head of the Securities Department, and also serves as the supervisor of Shandong Xinhecheng Holding Co., LTD., Heilongjiang Xinhecheng Biological Chemical Co., LTD., Zhejiang Saiya Chemical Co., LTD. He was the head of the fund Department and the Minister of Finance of the company.

Yan Hongyue (Bachelor's degree) currently serves as the Supervisor of the Company and General Manager of Xinchang Base. He used to be the General Manager of Shandong NHU Vitamins Co., Ltd., Assistant to General Manager and Deputy General Manager of Shandong NHU Pharmaceutical Co., Ltd.

Li Huafeng, (Master's degree) currently serves as the Supervisor of the Company the assistant vice president and deputy General manager of Animal Nutrition Division of the company. He used to be the head of the Spice Sales Department, assistant general manager and sales manager, deputy general manager of the Spice Department, Sales manager, Deputy general manager and marketing manager of the Nutrition Department.

Zhang Liying, (Bachelor's degree) senior economist, current Vice president of the company, has served as Deputy Chief of the Quality Control Section, director of the company Certification Office, Assistant Minister of Enterprise Management, Assistant director of the President's Office, Deputy Minister of Enterprise Management (presiding), Deputy Minister of Human Resources (presiding), Minister of Human Resources, and assistant to Vice President.

Directors, supervisors and senior executives that serve in shareholders

Applicable Not applicable

Name of persons	Name of shareholders	Position in shareholders	Commencement date of service	Termination date of service	Whether receive emoluments and allowances from shareholders
Hu Baifan	NHU Holding Group Co., Ltd.	Chairman, CEO	11/11/2011	12/27/2026	No
Hu Baishan	NHU Holding Group Co., Ltd.	Director	11/11/2011	12/27/2026	No
Shi Guanqun	NHU Holding Group Co., Ltd.	Director	11/11/2011	12/27/2026	No
Wang Xuewen	NHU Holding Group Co., Ltd.	Director	11/11/2011	12/27/2026	No
Wang Zhengjiang	NHU Holding Group Co., Ltd.	Director	12/28/2023	12/27/2026	No
Zhou Guiyang	NHU Holding Group Co., Ltd.	Chairman of the Board of Supervisors	12/28/2023	12/27/2026	No
Zhao Jia	NHU Holding Group Co., Ltd.	Head of Risk Control Department	4/1/2019	To date	Yes
Explanation of employment at shareholder units		None			

Directors, supervisors and senior executives that serve in other entities

√ Applicable □ Not applicable

Name of persons	Name of other entities	Position in other entities	Commencement date of service	Termination date of service	Whether receive emoluments and allowances from other entities
Hu Baifan	Zhejiang Gengdu Investment Co., Ltd.	Executive Director and CEO	9/4/2012	To date	No
Hu Baifan	Xinchang Heli Investment Co., Ltd.	Director	1/3/2017	To date	No
Hu Baifan	Safe & Rich Venture Capital Co., Ltd.	Director	12/5/2008	To date	No
Hu Baifan	THE Investment Management Co., Ltd.	Director	9/21/2015	To date	No
Hu Baifan	Xinchang Qinjin Investment Co., Ltd.	Chairman	6/10/2015	To date	No
Hu Baifan	Xinchang Qinjin Investment Co., Ltd.	CEO	5/30/2019	To date	No
Hu Baifan	Xinchang Rural Commercial Bank Co., Ltd.	Director	1/26/2005	To date	No
Hu Baifan	Hangzhou Foremost Material Technology Co., Ltd.	Director	8/2/2010	8/31/2023	No
Hu Baifan	Beijing Foyou Pharma CO.,LTD.	Director	5/16/2019	5/27/2025	No
Hu Baifan	Shaoxing Yuexiu Education Development Co., Ltd.	Chairman and CEO	12/5/2016	7/25/2026	No
Hu Baifan	Zhejiang Huixian Venture Capital Co., Ltd.	Executive Director and CEO	3/16/2017	To date	No
Hu Baifan	Zhejiang Hefeng Investment Co., Ltd.	Executive Director	4/20/2018	To date	No
Hu Baifan	Zhejiang Hefeng Investment Co., Ltd.	CEO	7/21/2022	To date	No
Hu Baifan	NHU Real Estate Holding Co., Ltd.	Director	12/2/2010	To date	No
Hu Baifan	Xinchang County NHU Real Estate Co., Ltd.	Director	3/20/2017	To date	No
Hu Baishan	Zhejiang Second Pharma Co., Ltd.	Director	9/15/2017	12/20/2024	No
Hu Baishan	Shaoxing Yuexiu Education Development Co., Ltd.	Director	12/5/2016	7/25/2026	No
Shi Guanqun	Xinchang Heli Investment Co., Ltd.	Chairman	11/30/2012	To date	No
Shi Guanqun	Xinchang Qinjin Investment Co., Ltd.	Director	6/10/2015	To date	No
Shi Guanqun	Shaoxing Yuexiu Education Development Co., Ltd.	Director	12/5/2016	7/25/2026	No
Shi Guanqun	NHU Real Estate Holding Co., Ltd.	Director	12/2/2010	To date	No
Shi Guanqun	Zhejiang Jingshi Real Estate Co., Ltd.	Director	9/22/2020	To date	No
Shi Guanqun	Zhejiang Deli Equipment Co., Ltd.	Director	10/24/2016	10/27/2024	No
Shi Guanqun	Beijing Foyou Pharma CO.,LTD.	Director	5/16/2019	5/27/2025	No
Shi Guanqun	Xinchang County NHU Real Estate Co., Ltd.	Director	3/20/2017	To date	No
Zhou Guiyang	Envalor NHU Engineering Materials (Zhejiang) Co.,Ltd.	Vice Chairman	1/7/2016	To date	No

Name of persons	Name of other entities	Position in other entities	Commencement date of service	Termination date of service	Whether receive emoluments and allowances from other entities
Zhou Guiyang	Zhejiang Saiya Chemical Materials Co., Ltd.	Director	1/3/2017	3/28/2026	No
Ji Jianyang	Beijing Guantao Zhongmao (Hangzhou) Law Firm	Partner	1/9/2014	To date	Yes
Ji Jianyang	Zhejiang Jingu Co., Ltd.	Independent Director	11/7/2023	11/6/2026	Yes
Ji Jianyang	Zhejiang Fore Intelligent Technology Co., Ltd.	Independent Director	12/12/2023	12/11/2026	Yes
Ji Jianyang	Hangzhou Quantum Fanyu Film and Television Culture Media Co., Ltd	Director	5/28/2021	5/27/2024	Yes
Ji Jianyang	Zhejiang International Trade Group	Outside director	12/18/2021	12/17/2024	Yes
Shen Yuping	Zhejiang University of Finance & Economics	Professor	8/6/1980	To date	Yes
Shen Yuping	Ningbo Techmation Co., Ltd.	Independent Director	1/15/2021	1/15/2027	Yes
Shen Yuping	Zhejiang Jiaao Enprotech Stock Co., Ltd.	Independent Director	9/5/2022	3/14/2024	Yes
Shen Yuping	Xianheng International Science&Technology Co., Ltd.	Independent Director	8/18/2017	9/5/2023	Yes
Shen Yuping	Tax Institute of Zhejiang Provincial	Vice Chairman	4/26/2014	4/27/2024	No
Shen Yuping	Liangzhi Zhongcheng Certified Public Accountants	Consultant	5/16/2022	4/16/2024	Yes
Wang Feng	Zhejiang University International Business School	Associate Professor	12/1/2021	12/31/2027	Yes
Wang Yang	Beijing Zhiming Haojin Investment Management Co., Ltd.	Risk Control Director, Compliance Risk Control Responsible Person	1/1/2018	To date	Yes
Wang Yang	Pacific Securities Co., Ltd	Investment Advisor	12/1/2018	To date	Yes
Wang Yang	Henan Pingmei Shenma Private Equity Fund Management Co., Ltd	Director	3/1/2021	To date	No
Wang Yang	Guangdong Yikang Health Industry Group Co., Ltd.	Independent Director	1/1/2021	To date	Yes
Wang Yang	Intco Medical Technology Co., Ltd.	Independent Director	3/14/2022	To date	Yes
Zhao Jia	Beijing Foyou Pharma CO.,LTD.	Chairman of the Board of Supervisors	5/28/2022	5/27/2025	No
Zhao Jia	Shaoxing Yuexiu Education Development Co., Ltd.	Supervisor	12/5/2016	7/25/2023	No
Zhao Jia	Zhejiang Jingshi Real Estate Co., Ltd.	Supervisor	9/22/2020	To date	No
Zhao Jia	Shaoxing Heyue Property Service Co., Ltd.	Supervisor	8/10/2020	To date	No
Wang Xiaobi	Zhejiang Saiya Chemical Co., Ltd.	Chairman of the Board of Supervisors	7/23/2023	3/28/2026	No
Wang Xiaobi	Xinchang Heli Investment Co., Ltd.	Director	12/29/2016	To date	No

Penalties imposed by securities regulators on current and outgoing directors, supervisors and senior executives of the Company in the past three years

√ Applicable □ Not applicable

On October 18, 2021, Zhejiang Securities Regulatory Bureau issued the "Administrative Penalty Decision" ([2021] No. 19), believing that Li Li, then the manager of the data enhancement Department of the Internet service business group of Daily Interactive Co., LTD., fabricated multiple sales contracts and related settlement documents between the company and customers by forging seals and other means. Daily Interactive did not find the above contract and business falsehood in time, confirmed the relevant sales revenue and prepared financial statements accordingly, resulting in false records in the three quarterly reports of 2019, annual reports of 2019, quarterly reports of 2020, semi-annual reports of 2020, and three quarterly reports of 2020 disclosed by Daily Interactive. The above conduct of Daily Interactive violates Article 63 of the Securities Act of 2005 and Article 78, paragraph 2, of the Securities Act of 2019, and constitutes an information disclosure violation described in Article 197, paragraph 2, of the Securities Act of 2019.

Zhu Jianmin (who left office during the reporting period), was the independent director of the Company, and the deputy general manager and Chief financial officer of DailyInteractive at that time and was in charge of financial work. He failed to ensure the truth, accuracy and completeness of the information disclosure of DailyInteractive Co., LTD., and was directly responsible for the illegal information disclosure. According to the provisions of the second paragraph of Article 197 of the Securities Law of 2019, the Zhejiang Securities Regulatory Bureau decided to give Zhu Jianmin a warning and impose a fine of 800,000 yuan. On February 24, 2022, the Shenzhen Stock Exchange issued the Decision on giving Notice and Criticism to DailyInteractive Co., Ltd. and relevant parties, giving notice and criticism to Zhu Jianmin on the above matters.³ Emoluments of directors, supervisors and senior executives.

3. Remuneration of directors, supervisors and senior managers

Decision-making procedure, basis for determination and actual payment of emoluments of directors, supervisors and senior executives

Decision-making procedure: According to the standards stipulated by the Company's unified remuneration management system, the emoluments of the Company's directors, supervisors and senior executives are determined based on the result of the regular assessment under the Company's performance appraisal mechanism. The allowance standard for independent directors shall be deliberated and decided by the general meeting of shareholders.

Basis for determination: Emoluments of directors, supervisors and senior executives are determined based on the Company's results of operations and performance appraisal indicators.

Emoluments of directors, supervisors and senior executives during the reporting period

Unit: RMB 0,000 yuan

Name	Gender	Age	Position	Status	2023 emoluments	Whether receive emoluments from related parties of the Company
Hu Baifan	Male	62	Chairman	Incumbent	450.47	No
Hu Baishan	Male	57	Vice Chairman, President	Incumbent	299.37	No
Shi Guanqun	Male	53	Director, Vice President, Secretary of the Board, CFO	Incumbent	170.04	No
Wang Xuewen	Male	55	Director, Vice President	Incumbent	125.46	No
Wang Zhengjiang	Male	55	Director	Incumbent	262.26	No
Zhou Guiyang	Male	49	Director	Incumbent	75.16	No
Yu Hongwei	Male	53	Director	Incumbent	140.16	No
Yu Baijin	Male	57	Director	Leaving office	10.45	No
Ji Jianyang	Male	45	Independent Director	Incumbent	10.60	No
Shen Yuping	Male	67	Independent Director	Incumbent	3.00	No
Wang Feng	Male	48	Independent Director	Incumbent	3.00	No
Wang Yang	Male	45	Independent Director	Incumbent	3.00	No
Huang Can	Male	45	Independent Director	Leaving office	7.60	No
Jin Zanfang	Female	48	Independent Director	Leaving office	7.60	No
Zhu Jianmin	Female	60	Independent Director	Leaving office	7.60	No
Lyu Guofeng	Male	52	Chairman of the Board of Supervisor	Incumbent	152.36	No
Zhao Jia	Female	43	Supervisor	Incumbent	0.00	Yes
Wang Xiaobi	Female	42	Supervisor	Incumbent	26.17	No
Yan Hongyue	Male	54	Supervisor	Incumbent	91.23	No
Li Huafeng	Male	41	Supervisor	Incumbent	34.02	No
Shi Fangbin	Female	48	Chairman of the Board of Supervisor	Leaving office	0.00	Yes
Chen Zhaofeng	Male	47	Supervisor	Leaving office	17.51	No
Zhang Liying	Female	47	Vice President	Incumbent	49.71	No
Total	--	--	--	--	1,946.77	--

Other information note

√Applicable □ Not applicable

During the reporting period, the compensation for the company's key management personnel was 26.52 million yuan, including 19.47 million yuan for the salaries of directors, supervisors, and senior management personnel in 2023, 4.35 million yuan for the settlement in 2021, and 2.70 million yuan for the settlement in 2022.

VI. Directors' performance of duties during the reporting period

1. Meetings of the Board of Directors during the reporting period

Session	Meeting date	Disclosure date	Resolutions
The fifteenth meeting of the eighth session of Board of Directors	4/19/2023	4/21/2023	18 proposals including the "Annual Work Report of the Board of Directors of 2022" were deliberated and approved. Please refer to Announcement No. 2023-005 disclosed on http://www.cninfo.com.cn for details.
The sixteenth meeting of the eighth session of Board of Directors	6/7/2023	6/8/2023	3 proposals including the "the Forth Phase of Employee Stock Ownership Plan (Draft) of Zhejiang NHU Co., Ltd. and Summary" were deliberated and approved. Please refer to Announcement No. 2023-027 disclosed on http://www.cninfo.com.cn for details.
The seventeenth meeting of the eighth session of Board of Directors	8/28/2023	8/30/2023	7 proposals including the "Semi-annual Report of Board of Directors of 2023 and Summary" were deliberated and approved. Please refer to Announcement No. 2023-039 disclosed on http://www.cninfo.com.cn for details.
The first meeting of the ninth session of Board of Directors	9/19/2023	9/20/2023	6 proposals including the "Proposal regarding the election of the Chairman and Vice Chairman of the ninth board of directors of the company." were deliberated and approved. Please refer to Announcement No. 2023-058 disclosed on http://www.cninfo.com.cn for details.
The second meeting of the ninth session of Board of Directors	10/25/2023	10/27/2023	2 proposals including the "Third Quarterly Report of 2023" were deliberated and approved. Please refer to Announcement No. 2023-061 disclosed on http://www.cninfo.com.cn for details.

2. Directors' attendance at meetings of the Board of Directors and general meetings of shareholders

Directors' attendance at meetings of the Board of Directors and general meetings of shareholders							
Name of directors	Number of board meetings to be present during the reporting period	Number of board meetings attended on site	Number of board meetings attended through audio visual means	Number of board meetings attended by proxy	Number of absences from board meetings	Whether directors failed to attend two consecutive board meetings in person	Number of general meetings attended
Hu Baifan	5	5	0	0	0	No	3
Hu Baishan	5	5	0	0	0	No	3
Shi Guanqun	5	5	0	0	0	No	3
Wang Xuewen	5	5	0	0	0	No	3
Wang Zhengjiang	5	2	3	0	0	No	2
Zhou Guiyang	5	2	3	0	0	No	2
Yu Hongwei	2	1	1	0	0	No	0
Yu Baijin	3	0	2	1	0	No	1
Ji Jianyang	5	2	3	0	0	No	3
Shen Yuping	2	1	1	0	0	No	0
Wang Feng	2	1	1	0	0	No	0
Wang Yang	2	1	1	0	0	No	0
Huang Can	3	1	2	0	0	No	1
Jin Zanfang	3	1	2	0	0	No	2
Zhu Jianmin	3	1	2	0	0	No	1

Remarks on failure to attend two consecutive board meetings in person : N/A

3. Directors' objections to relevant matters of the Company

Whether directors have raised objections to relevant matters of the Company

Yes No

Directors have not raised any objections to relevant matters of the Company during the reporting period.

4. Other remarks on directors' performance of duties

Whether the directors' recommendation on the Company were adopted

Yes No

Remarks on directors' recommendation on the Company adopted or not adopted

During the reporting period, the directors, in strict accordance with the "Articles of Association", "Rules of Procedures of the Board of Directors" and relevant laws and regulations, actively attended board meetings and general meetings, performed their duties with diligence, put forward relevant opinions on significant governance and operation decisions in accordance with the actual situation of the Company, formed unanimous opinions after full communication and discussion, and resolutely supervised and promoted the implementation of the resolutions made by the Board of Directors to ensure scientific, timely and efficient decision-making and safeguard the legitimate rights and interests of the Company and all shareholders.

VII. Special committees under the Board of Directors during the reporting period

Name of committees	Members	Number of meetings held	Meeting date	Content of meeting	Important comments and suggestions made	Other performance of duties	Details of dispute (if any)
The eighth session of Remuneration and Assessment Committee	Zhu Jianmin, Jin Zanfang, Shi Guanqun	2	4/19/2023	5 proposals including "Summary of Internal Audit for the Year 2022 and 2023 Work Plan", were deliberated and approved.			
			8/18/2023	3 proposals including "Summary of Internal Audit for the Half Year of 2023 and Work Plan for the Third Quarter of 2023" were deliberated and approved.			
The ninth session of Remuneration and Assessment Committee	Shen Yuping, Ji Jiangyang, Wang Yang	2	9/19/2023	2 proposals including "The nomination of the company's CFO" were deliberated and approved.			
			10/20/2023	3 proposals including "Summary of Internal Audit for the Third Quarter of 2022 and Work Plan for the Fourth Quarter of 2022" were deliberated and approved.			
The eighth session of Remuneration and Assessment Committee	Ji Jianyang, Hu Baishan, Huang Can, Zhu Jianmin, Shi Guanqun	2	6/2/2023	"The fourth phase of the employee stock ownership plan (draft) and its summary" was deliberated and approved.			
			8/18/2023	"The proposal regarding the standard of work allowances for independent directors" was deliberated and approved.			
The eighth session of Nomination Committee	Hu Baifan, Huang Can, Ji Jiangyang	1	8/18/2023	2 proposals including "The election of non-independent directors for the board of directors' reshuffle" were deliberated and approved.			
The eighth session of Nomination Committee	Hu Baifan, Ji Jiangyang, Wang Yang	1	9/19/2023	"The proposal on the nomination of the company's CEO and Secretary of the Board" was deliberated and approved.			

VIII. Work of the Board of Supervisors

Whether the Board of Supervisors found any risks in the Company during its supervisory activities in the reporting period

Yes No

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

IX. Employees

1. Number of employees, professional workforce and education level

Number of active employees of the parent company at the end of the reporting period	579
Number of active employees of major subsidiaries at the end of the reporting period	11,178
Total number of active employees at the end of the reporting period	11,757
Total number of employees receiving remuneration in the current period	11,757
Number of retired cadres and employees whose expenses borne by the parent company and major subsidiaries	7
Professional workforce	
Categories	Number
Production staff	7,619
Sales staff	186
Technical staff	2,803
Finance staff	104
Administrative staff	1,045
Total	11,757
Education level	
Categories	Number
Doctoral degree	81
Master's degree	1,169
Bachelor's degree	3,751
Associate degree	4,248
High school education, secondary vocational school education or below	2,508
Total	11,757

2. Remuneration policy

The Company formulates the “Remuneration Management System” in accordance with the “Labor Law of the People’s Republic of China” and relevant laws and regulations to provide competitive remunerations. A remuneration package is mainly composed of base salary, performance-based pay and benefits. The Company also offers employee incentives including incremental rewards, special contribution rewards, incentives during the tenure, and additional rewards for high performance beyond expectations. The Company pays five insurances and a housing fund, and continuously improves employee satisfaction and loyalty.

3. Training program

With the strategic goal of “building a highland of talents”, the Company takes supporting business development as the starting point and job-based talent standards as the direction to promote various types of talent training in an orderly manner. It launches leadership training courses for middle level, high level and grassroots management cadres to effectively improve the management ability and quality of management cadres. It also launches professional ability development classes related to equipment, HSE and R&D to strengthen technical staff skills. For new staff, the Company offers induction training to enhance their cultural identities and professional abilities. It organizes on-the-job training, skill level training, certification training for special equipment and special type of work to ensure that employees meet all regulations and skill requirements. The Company makes efforts to cultivate 5 types of talents: international talents, leadership talents, management talents, core technical talents and core skill talents. On the one hand, it further improves the development and utilization of internal lecturer resources and absorbs internal excellent experiences and practices for a

better enterprise succession; On the other hand, it combines “inviting in” and “going out” to establish a cooperation mechanism for training talents at different levels and expand their thinking and vision through external training, exchange with advanced enterprises, study tours, etc. The Company aims to make each employee get the opportunity to learn and the platform to grow, so that they can fulfill themselves and achieve personal growth along with the Company. Talents are the most valuable, sustainable and competitive strategic resources of the Company.

4. Labor outsourcing

Applicable Not applicable

X. Profit distribution and conversion of capital reserve into share capital

Profit distribution policy during the reporting period, especially the establishment, implementation or adjustment of cash dividend policy

Applicable Not applicable

The 2022 Annual General meeting of shareholders held on May 19, 2023 reviewed and approved the 2022 Annual Profit Distribution Plan, which was implemented and completed on June 14, 2023. The Annual Equity Distribution Plan for 2022: Based on 3,073,421,680 shares (3,090,907,356 shares, the total share capital of the company at that time, excluded 17,485,676 repurchased shares), the cash dividend of RMB5 (including tax) was distributed to all shareholders for every 10 shares, and the total cash distribution was RMB1,536,710,840.00 (including tax).

Special remarks on cash dividend policy	
Whether it complies with the Articles of Association or the resolution of the general meeting:	Yes
Whether the criteria and proportion of dividends are clear and unambiguous:	Yes
Whether relevant decision-making procedures and mechanisms are complete:	Yes
Whether the independent directors have performed their duties and responsibilities and played their due roles:	Yes
Specific reasons and the next steps it intends to take to enhance the investor return level if the Company did not pay cash dividend:	N/A
Whether small and medium-sized shareholders have adequate opportunities to express their opinions and demands, and whether their legitimate rights and interests are adequately protected:	Yes
In case of changes or adjustments of the cash dividend policy, whether the conditions and procedures are compliant and transparent:	N/A

The Company is profitable during the reporting period and the parent company's profit available for distribution is positive but no cash dividend distribution plan has been proposed

Applicable Not applicable

Profit distribution and conversion of capital reserve into share capital during the reporting period

Applicable Not applicable

Number of bonus shares for every 10 shares (shares)	0
Dividends for every 10 shares (yuan) (tax included)	4.50
Number of shares increased for every 10 shares (shares)	0
Equity base for distribution proposal (shares)	3,073,421,680
Amount of cash dividends (yuan) (tax included)	1,383,039,756
Amount of cash dividends by other methods (such as share repurchase) (yuan)	0
Total cash dividends (including those by other methods) (yuan)	1,383,039,756
Profit available for distribution (yuan)	5,137,599,917.63
Proportion of total cash dividends (including those by other methods) to total profit distribution	100%

Details on cash dividend
If the Company is in growth stage and there are major capital expenditure arrangements, the proportion of cash dividends in this profit distribution shall be at least 20%.
Details on proposals on profit distribution or conversion of capital reserve into share capital
Profit distribution proposal deliberated and approved by the meeting of the Board of Directors is as follows: Based on the 3,073,421,680 shares (total share capital of 3,090,907,356 excluding 17,485,676 repurchased shares[Note]), a cash dividend of 4.50 yuan (tax included) will be distributed to all shareholders for every 10 shares, and no bonus shares will be distributed, and the capital reserve will not be converted into share capital. Note: According to the “Rules on Share Repurchase of Listed Companies”, shares in the special account for repurchase of listed companies carry no right of profit distribution and conversion of capital reserve into share capital If the Company’s total share capital was changed due to the conversion of convertible bonds into shares, share repurchase, equity incentive exercise, refinancing and issuing new shares to the public before the implementation of the distribution plan, the total distribution amount shall be adjusted with distribution proportion unchanged.

XI. Implementation of equity incentive plans, employee stock ownership plans or other employee incentive programs

Applicable Not applicable

1. Equity incentive

Not applicable.

Equity incentives received by directors and senior executives of the Company

Applicable Not applicable

Assessment mechanism and incentives for senior executives

Not applicable.

2. Implementation of employee stock ownership plans

Applicable Not applicable

All active employee stock ownership plans during the reporting period

Scope of employees	Number of employees	Total shares held	Changes	Proportion to total share capital of the Company	Sources of fund to implement the plan
The third phase of employee stock ownership plan: directors, supervisors, senior executives of the Company, and regular employees of the Company and its holding subsidiaries or wholly-owned subsidiaries who meet the criteria	681	12,157,826	N/A	0.39%	Legal remuneration of the employees, self-raised funds and other methods permitted by laws and administrative regulations
The fourth phase of employee stock ownership plan: directors, supervisors, senior executives of the Company, and regular employees of the Company and its holding subsidiaries or wholly-owned subsidiaries who meet the criteria	627	29,528,181	N/A	0.96%	Legal remuneration of the employees, self-raised funds and other methods permitted by laws and administrative regulations

Shareholdings of directors, supervisors and senior executives in the employee stock ownership plan during the reporting period

Name	Position	Number of shares held at the beginning of the reporting period	Number of shares held at the end of the reporting period	Proportion to total share capital of the Company
The third phase of employee stock ownership plan: Hu Baishan, Shi Guanqun, Wang Xuewen, Wang Zhengjiang, Zhou Guiyang, Yu Baijin, Shi Fangbin, Lyu Guofeng, Yu Hongwei, Yan Hongyue, Chen Zhaofeng, Zheng Gentu	Directors, supervisors and senior executives	1,601,317	0	0.00%
The fourth phase of employee stock ownership plan: Hu Baifan, Hu Baishan, Shi Guanqun, Wang Xuewen, Wang Zhengjiang, Zhou Guiyang, Shi Fangbin, Lyu Guofeng, Yu Hongwei, Yan Hongyue, Chen Zhaofeng, Wang Xiaobi, Li Huafeng, Zhang Liying	Directors, supervisors and senior executives	0	8,664,835	0.28%

Changes in asset management agency during the reporting period

Applicable Not applicable

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

Applicable Not applicable

Exercise of shareholders' rights during the reporting period

Pursuant to the "Third Phase of Employee Stock Ownership Plan (Draft) and the Fourth Phase of Employee Stock Ownership Plan (Draft)", the plans voluntarily waives the voting rights of holding shares in the general meeting of the Company, while shares acquired through the employee stock ownership plan carry no voting rights in the general meeting. During the reporting period, the employee stock ownership plan did not exercise the voting rights of holding shares in the general meeting, but still enjoyed the right to profit distribution.

Other relevant situations and remarks of the employee stock ownership plan during the reporting period

Applicable Not applicable

Change in membership of the management committee of employee stock ownership plan

Applicable Not applicable

1. The management committee of the the third phase of employee stock ownership plan remains unchanged.

2. The management committee of the the forth phase of employee stock ownership plan: pursuant to the first meeting of holders of the forth phase of employee stock ownership plan in manner of voting by correspondence dated June 20, 2023, the proposal on *Election of Members of the Management Committee for the Forth Phase of Employee Stock Ownership Plan* was deliberated and approved. Ms. Xi Chun, Mr. Yu Weiguo, Mr. Chen Mengqiao, Mr. Li Huafeng and Ms. Wang Xiaobi were elected as the member of the management committee. The term is the duration of the Company's fourth employee stock ownership plan.

Financial impact of employee stock ownership plan on the Company in the reporting period and related accounting treatments

Applicable Not applicable

Termination of employee stock ownership plan during the reporting period

Applicable Not applicable

As of November 11, 2023, all shares of the Company held under the third phase of the Employee Stock Ownership Plan have been sold. According to the relevant regulations, the implementation of the third phase of the employee stock ownership Plan has been completed and terminated. For details, please refer to the "Announcement on Completion and Termination of the Sale of the Third Phase of the Employee Stock Ownership Plan" (Announcement No. 2023-065) published by the Company on designated information disclosure media and <http://www.cninfo.com.cn> on November 11, 2023.

Other remarks

1. The Company held the 16th meeting of the eighth Board of Directors and the 13th meeting of the eighth Board of Supervisors on June 7, 2023, and the first extraordinary general meeting of shareholders in 2023 on June 26, 2023, to review and pass the employee stock ownership Plan related proposals such as the fourth Employee Stock Ownership Plan (Draft) and its summary of Zhejiang NHU Co., LTD. The fourth phase of the employee stock ownership plan was agreed to be implemented. As of September 25, 2023, a total of 29,528,181 shares of the Company have been purchased under the fourth phase of the employee stock ownership Plan through the secondary market bidding transaction, accounting for 0.9553% of the Company's existing total share capital, with a total transaction amount of 479,442,157.08 yuan (excluding transaction costs). The average transaction price was about 16.2368 yuan per share, and the company completed the target stock purchase of the fourth phase of the employee stock ownership plan. The lock-up period of the underlying shares acquired under the fourth Employee Stock Ownership Plan is 12 months, calculated from the date of the Company's announcement of the transfer of the last underlying shares to the plan.

The number of shares held by directors, supervisors and senior managers in the employee stock ownership plan is calculated according to the proportion of the holder's share in the total share of the employee stock ownership plan.

3. Other employee incentive programs

Applicable Not applicable

XII. Construction and implementation of internal control system during the reporting period

1. Construction and implementation of internal control system

The Company has established a sound internal control system under continuous improvement and enhancement in accordance with the "Basic Standard for Enterprise Internal Control" and its accompanying guidelines to adapt to the dynamic external environment and internal management requirements. The Company's internal controls can cover the major aspects of operation and management, and the design of these controls is sound and reasonable. The internal controls are effectively executed and there is no material omission.

During the reporting period, the company revised and improved its internal management system based on the actual work situation and changes in the internal and external environment, including 18 new systems and 35 revised rules and regulations. Including "Carbon Emission Management Measures", "Channel Business Management Measures", "Product Pricing Management Measures," Bidding Management Measures, "Asset Management Basic System, Project Management System and Customer Management System, so as to improve the company's management and business processes, and further optimize the company's internal control management.

2. Details on material deficiencies in internal control identified during the reporting period

Yes No

XIII. Management control in subsidiaries during the reporting period

Name of subsidiaries	Integration plan	Progress of integration	Problems encountered in integration	Solutions adopted	Progress of solutions	Follow-up solutions
Shandong New Shuang'an Biotechnology Co., Ltd	N/A	N/A	N/A	N/A	N/A	N/A

IV. Internal control self-assessment report or auditor's report on internal control

1. Internal control self-assessment report

Date of report	April 23, 2024	
Full text of report	Please refer to the "Internal Control Self-Assessment Report of 2023 of Zhejiang NHU Co., Ltd." disclosed on http://www.cninfo.com.cn on April 23, 2024 for details.	
Proportion of the total assets of entities included in the assessment scope to the total assets in the Company's consolidated financial statements	100.00%	
Proportion of the operating revenue of entities included in the assessment scope to the operating revenue in the Company's consolidated financial statements	100.00%	
Criteria for identifying deficiencies		
Categories	Categories	Categories
Qualitative criteria	Indicators of material deficiencies in financial reporting include: 1) fraud by directors, supervisors and senior executives; 2) correction of published financial reports by the Company; 3) discovery by the auditor of a material misstatement in the current financial report that was not detected by internal control in the course of operation; and 4) ineffective monitoring of internal control by the Company. Indicators of significant deficiencies in financial reporting include: 1) failure to select and apply accounting policies in accordance with CASBEs; 2) failure to establish anti-fraud procedures and controls; and 3) individual or multiple deficiencies in the financial reporting process that, although not meeting the criteria for determining a significant deficiency, affect the objective of integrity and accuracy. General deficiencies in financial reporting are control deficiencies other than the above-mentioned material and significant deficiencies.	The following circumstances are identified as indicators of material deficiencies, while others are respectively identified as indicators of significant deficiencies or general deficiencies according to the degree of impact: 1) lack of democratic or scientific decision-making procedures, leading to decision-making errors; 2) violation of laws and regulations, such as environmental pollution, failure to report or disclose information in accordance with regulations; 3) loss of executives or technical personnel in key positions; 4) internal control evaluation stating that material or significant deficiencies have not been rectified; 5) lack of system control or systemic failure in important businesses.
Quantitative criteria	The Company uses 5% of profit before tax as the overall materiality of the financial statements. A material deficiency is identified when the potential misstatement is greater than or equal to the overall materiality. A significant deficiency is identified when the potential misstatement is less than the overall materiality but greater than or equal to 20% of the overall materiality. A general deficiency is identified when the potential misstatement is less than 20% of the overall materiality.	The Company uses 5% of profit before tax as the overall materiality of the financial statements. A material deficiency is identified when the potential misstatement is greater than or equal to the overall materiality. A significant deficiency is identified when the potential misstatement is less than the overall materiality but greater than or equal to 20% of the overall materiality. A general deficiency is identified when the potential misstatement is less than 20% of the overall materiality.
Number of material deficiencies in internal control over financial reporting	0	

Number of material deficiencies in internal control over non-financial reporting	0
Number of significant deficiencies in internal control over financial reporting	0
Number of significant deficiencies in internal control over non-financial reporting	0

2. Auditor's report on internal control

Applicable Not applicable

Audit opinion paragraph in the internal control audit report	
In our opinion, Zhejiang NHU Co., Ltd maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, in accordance with the Basic Standard for Enterprise Internal Control and related regulations.	
Disclosure of internal control audit report	Disclosure
Disclosure date of full text of internal control audit report	4/23/2024
Index of Full Text Disclosure of Internal Control Audit Report	For details, please refer to Juchao Information Website http://www.cninfo.com.cn "Internal Control Audit Report of Zhejiang NHU Co., Ltd.
Opinion Type of Internal Control Audit Report	Standard Unqualified Opinion
Whether there are major defects in the non-financial report	No

Whether the accounting firm has issued an internal control audit report with non-standard opinions

Yes No

Whether the internal control audit report issued by the accounting firm is consistent with the opinion of the self-evaluation report of the board of directors

Yes No

XV. Self-examination and rectification concerning the special action of corporate governance

Not applicable

Section V Environmental and Social Responsibilities

I. Major environmental issues

Whether the Company and its subsidiaries belong to the key pollutant discharging units announced by departments of environmental protection administration

Yes No

Environmental protection-related policies and industry standards

Measures for the Management of the List of Priority Units for Environmental Supervision (Decree No. 27 of the Ministry of Ecology and Environment)

Ecological and environmental administrative penalties (Decree of the Ministry of Ecology and Environment No. 30)

Measures for the Management of Voluntary Greenhouse Gas Emission Reduction Trading (Trial) (Decree of the Ministry of Ecology and Environment No. 31)

Graphic Signs for Environmental Protection -- Solid Waste Storage (Disposal) Sites (GB 15562.2-1995) (Environmental Standards Bulletin [2023] No. 5)

Pollution Control Standards for the Storage of Hazardous Wastes (Environmental Standards Bulletin [2023] No. 6)

Technical Specification for the Marking of Pollutant Discharge Outlets of Sewage Discharging Units with Two-dimensional Codes (Environmental Standards Bulletin [2023] No. 16)

Notice on Doing the Work Related to the Allocation of National Carbon Emission Trading Allowances for the Years 2021 and 2022 (National Environmental Regulation Climate [2023] No. 1)

Methane Emission Control Action Program (National Environmental Regulation Climate [2023] No. 67)

Circular on the Administration of Industrial Noise Emission Permits (UNEO EIA [2023] No. 14)

Circular on Further Strengthening Work Related to the Regulated Environmental Management of Hazardous Wastes (Environmental Office Solid [2023] No.17)

Administrative permits for environmental protection

On April 18, 2023, Shangyu NHU Bio-Chem Co., Ltd. reacquired a discharge permit valid until April 17, 2028.

On March 15, 2023, Shandong NHU Pharmaceutical Co., Ltd. reacquired a discharge permit valid until March 14, 2028.

On July 25, 2023, Shandong NHU Amino-acids Co., Ltd. reacquired a discharge permit valid until July 24 2028.

On July 21, 2023, Shandong NHU Vitamins Co., Ltd. reacquired a discharge permit valid until July 20 2028.

On August 4, 2023, Shandong NHU Fine ChemicalScience and Technology Co. reacquired a discharge permit valid until August 3, 2028.

On December 6, 2023, Heilongjiang NHU Biotechnology Co., Ltd. reacquired a discharge permit valid until May 17, 2028.

Industry emission standards and the specific circumstances of pollutant emissions involved in production and operation activities

Name	Types of major and characteristic pollutants	Name of main pollutants and pollutant characteristics	Discharge method	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration	Executive pollutant discharge standard	Total amount of discharge	Total verified amount of discharge	Excessive discharge or not
The Company	water pollution	COD	Sewer connection	1	Plant area	126mg/L	500mg/L	20.70t	≤189.5t/a	No
The Company	water pollution	NH3-N	Sewer connection	1	Plant area	4.0mg/L	35mg/L	0.61t	≤13.28t/a	No
The Company	Atmospheric pollutants	SO ₂	Filtered discharge	1	Plant area	19mg/m ³	50mg/m ³	0.80t	≤8.612 t/a	No
The Company	Atmospheric pollutants	NO _x	Filtered discharge	1	Plant area	33mg/m ³	50mg/m ³	0.48t	≤28t/a	No
Shangyu NHU Bio-Chem Co., Ltd.	water pollution	COD	Sewer connection	1	Plant area	197.793 mg/L	500mg/L	162.354t	≤440.9 t/a	No
Shangyu NHU Bio-Chem Co., Ltd.	water pollution	NH3-N	Sewer connection	1	Plant area	6.138mg/L	35mg/L	5.038t	≤30.863 t/a	No
Shangyu NHU Bio-Chem Co., Ltd.	water pollution	TN	Sewer connection	1	Plant area	23.31mg/L	70mg/L	19.133t	≤61.726 t/a	No
Shangyu NHU Bio-Chem Co., Ltd.	Atmospheric pollutants	VOC	Filtered discharge	1	Plant area	5.047mg/m ³	100mg/m ³	1.581t	≤207.6 t/a	No
Shangyu NHU Bio-Chem Co., Ltd.	Atmospheric pollutants	NO _x	Filtered discharge	1	Plant area	3.361mg/m ³	200mg/m ³	0.975t	≤12.96 t/a	No
Zhejiang NHU Pharmaceutical Co., Ltd.	Atmospheric pollutants	VOC	Filtered discharge	1	Plant area	5.098mg/m ³	100mg/m ³	0.349t	≤121.833 t/a	No
Zhejiang NHU Pharmaceutical Co., Ltd.	Atmospheric pollutants	VOC	Filtered discharge	1	Plant area	0.927mg/m ³	100mg/m ³	0.21t	≤1.069 t/a	No
Zhejiang NHU Pharmaceutical Co., Ltd.	Atmospheric pollutants	VOC	Filtered discharge	1	Plant area	0.915mg/m ³	100mg/m ³	0.007t	≤0.288 t/a	No
Zhejiang NHU Pharmaceutical Co., Ltd.	Atmospheric pollutants	VOC	Filtered discharge	1	Plant area	9.575mg/m ³	100mg/m ³	0.003t	≤0.01 t/a	No
Zhejiang NHU Pharmaceutical Co., Ltd.	Atmospheric pollutants	NO _x	Filtered discharge	1	Plant area	4.625mg/m ³	200mg/m ³	0.321t	≤19.8 t/a	No
Zhejiang NHU Pharmaceutical Co., Ltd.	Atmospheric pollutants	NO _x	Filtered discharge	1	Plant area	142.998 mg/m ³	300mg/m ³	27.811t	≤28.08 t/a	No
Zhejiang NHU Pharmaceutical Co., Ltd.	Atmospheric pollutants	NO _x	Filtered discharge	1	Plant area	18.233 mg/m ³	150mg/m ³	1.285t	≤8.44 t/a	No
Zhejiang NHU Pharmaceutical Co., Ltd.	Atmospheric pollutants	SO ₂	Filtered discharge	1	Plant area	3mg/m ³	100mg/m ³	0.204t	≤9.295 t/a	No
Zhejiang NHU Pharmaceutical Co., Ltd.	Atmospheric pollutants	SO ₂	Filtered discharge	1	Plant area	3.36mg/m ³	100mg/m ³	0.644t	≤37.94 t/a	No
Zhejiang NHU Pharmaceutical Co., Ltd.	Atmospheric pollutants	SO ₂	Filtered discharge	1	Plant area	3.36mg/m ³	50mg/m ³	0.178t	≤10.905 t/a	No

Name	Types of major and characteristic pollutants	Name of main pollutants and pollutant characteristics	Discharge method	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration	Executive pollutant discharge standard	Total amount of discharge	Total verified amount of discharge	Excessive discharge or not
Zhejiang NHU Pharmaceutical Co., Ltd.	Atmospheric pollutants	PM	Filtered discharge	1	Plant area	4.017mg/m ³	20mg/m ³	0.268t	≤5.174 t/a	No
Zhejiang NHU Pharmaceutical Co., Ltd.	Atmospheric pollutants	PM	Filtered discharge	1	Plant area	3.978mg/m ³	30mg/m ³	0.776t	≤8.42 t/a	No
Zhejiang NHU Pharmaceutical Co., Ltd.	Atmospheric pollutants	PM	Filtered discharge	1	Plant area	8.453mg/m ³	20mg/m ³	0.507t	≤5.626 t/a	No
Zhejiang NHU Pharmaceutical Co., Ltd.	water pollution	COD	Sewer connection	1	Plant area	197.793 mg/L	500mg/L	140.534t	≤382.37 t/a	No
Zhejiang NHU Pharmaceutical Co., Ltd.	water pollution	NH3-N	Sewer connection	1	Plant area	6.138mg/L	35mg/L	4.361t	≤26.766 t/a	No
Zhejiang NHU Pharmaceutical Co., Ltd.	water pollution	TN	Sewer connection	1	Plant area	23.31mg/L	70mg/L	16.561t	≤53.532t/a	No
Zhejiang NHU Special Materials Co., Ltd.	Atmospheric pollutants	PM	Filtered discharge	1	Plant area	1.72mg/m ³	5 mg/m ³	0.1809t	≤17.73 t/a	No
Zhejiang NHU Special Materials Co., Ltd.	Atmospheric pollutants	PM	Filtered discharge	1	Plant area	2.13mg/m ³	20 mg/m ³	0.4468t	≤17.73 t/a	No
Zhejiang NHU Special Materials Co., Ltd.	Atmospheric pollutants	PM	Filtered discharge	1	Plant area	6.90mg/m ³	20 mg/m ³	0.1390t	≤17.73 t/a	No
Zhejiang NHU Special Materials Co., Ltd.	Atmospheric pollutants	SO ₂	Filtered discharge	1	Plant area	3.22mg/m ³	35mg/m ³	0.3147t	≤67.92t/a	No
Zhejiang NHU Special Materials Co., Ltd.	Atmospheric pollutants	SO ₂	Filtered discharge	1	Plant area	2.76mg/m ³	50mg/m ³	0.5842t	≤67.92t/a	No
Zhejiang NHU Special Materials Co., Ltd.	Atmospheric pollutants	SO ₂	Filtered discharge	1	Plant area	18.18mg/m ³	50mg/m ³	0.3550t	≤67.92t/a	No
Zhejiang NHU Special Materials Co., Ltd.	Atmospheric pollutants	NO _x	Filtered discharge	1	Plant area	17.56mg/m ³	50 mg/m ³	2.0869t	≤83.28 t/a	No
Zhejiang NHU Special Materials Co., Ltd.	Atmospheric pollutants	NO _x	Filtered discharge	1	Plant area	15.92mg/m ³	100mg/m ³	3.1469t	≤83.28 t/a	No
Zhejiang NHU Special Materials Co., Ltd.	Atmospheric pollutants	NO _x	Filtered discharge	1	Plant area	45.45mg/m ³	150 mg/m ³	1.1409t	≤83.28 t/a	No
Zhejiang NHU Special Materials Co., Ltd.	Atmospheric pollutants	VOC	Filtered discharge	2	Plant area	2.35mg/m ³	60 mg/m ³	0.9006t	≤69.72 t/a	No
Zhejiang NHU Special Materials Co., Ltd.	water pollution	COD	Sewer connection	1	Plant area	195.36 mg/L	500 mg/L	67.5737t	≤182.1 t/a	No
Zhejiang NHU Special Materials Co., Ltd.	water pollution	NH3-N	Sewer connection	1	Plant area	6.72mg/L	35 mg/L	2.2140t	≤12.747 t/a	No

Name	Types of major and characteristic pollutants	Name of main pollutants and pollutant characteristics	Discharge method	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration	Executive pollutant discharge standard	Total amount of discharge	Total verified amount of discharge	Excessive discharge or not
Zhejiang NHU Special Materials Co., Ltd.	water pollution	TN	Sewer connection	1	Plant area	24.14mg/L	70 mg/L	7.7592t	≤25.494 t/a	No
Shandong NHU Pharmaceutical Co., Ltd.	Atmospheric pollutants	PM	Filtered discharge	5	Plant area	1.59mg/m ³	10 mg/m ³	0.35t	≤10.766t/a	No
Shandong NHU Pharmaceutical Co., Ltd.	Atmospheric pollutants	SO ₂	Filtered discharge	4	Plant area	3.63mg/m ³	50 mg/m ³	0.79t	≤4.006t/a	No
Shandong NHU Pharmaceutical Co., Ltd.	Atmospheric pollutants	NO _x	Filtered discharge	5	Plant area	37.92mg/m ³	100 mg/m ³	12.36t	≤66.49t/a	No
Shandong NHU Pharmaceutical Co., Ltd.	Atmospheric pollutants	VOC	Filtered discharge	3	Plant area	8.98mg/m ³	60 mg/m ³	14.15t	≤80.4t/a	No
Shandong NHU Pharmaceutical Co., Ltd.	Atmospheric pollutants	VOC	unorganized	/	Plant area	1.9mg/m ³	2mg/m ³	/	≤73.9572t/a	No
Shandong NHU Pharmaceutical Co., Ltd.	water pollution	COD	Sewer connection	1	Plant area	335mg/L	1000mg/L	71.29t	≤720.98t/a	No
Shandong NHU Pharmaceutical Co., Ltd.	water pollution	NH ₃ -N	Sewer connection	1	Plant area	11.41mg/L	100mg/L	2.69t	≤72.10 t/a	No
Shandong NHU Pharmaceutical Co., Ltd.	water pollution	TN	Sewer connection	1	Plant area	26.94mg/L	120mg/L	5.91t	≤86.86 t/a	No
Shandong NHU Amino-acids Co., Ltd.	Atmospheric pollutants	SO ₂	Filtered discharge	4	Plant area	48.8mg/m ³	50mg/m ³	7.56t	≤162.472 t/a	No
Shandong NHU Amino-acids Co., Ltd.	Atmospheric pollutants	NO _x	Filtered discharge	4	Plant area	95.1mg/m ³	100mg/m ³	73.1t	≤415.75 t/a	No
Shandong NHU Amino-acids Co., Ltd.	Atmospheric pollutants	PM	Filtered discharge	5	Plant area	9.84mg/m ³	10mg/m ³	2.189t	≤29.314 t/a	No
Shandong NHU Amino-acids Co., Ltd.	Atmospheric pollutants	VOC	Filtered discharge	3	Plant area	51.2mg/m ³	60mg/m ³	11.33t	≤379.63 t/a	No
Shandong NHU Amino-acids Co., Ltd.	water pollution	COD	Sewer connection	1	Plant area	842mg/L	1000mg/L	264t	≤839.2 t/a	No
Shandong NHU Amino-acids Co., Ltd.	water pollution	NH ₃ -N	Sewer connection	1	Plant area	79.9mg/L	100mg/L	4.71t	≤83.92 t/a	No
Shandong NHU Amino-acids Co., Ltd.	water pollution	TN	Sewer connection	1	Plant area	119mg/L	120mg/L	29.4t	≤100.704 t/a	No
Shandong NHU Vitamins Co., Ltd.	Atmospheric pollutants	VOC	Filtered discharge	4	Plant area	1.54mg/m ³	60 mg/m ³	7.01t	≤85.67 t/a	No
Shandong NHU Vitamins Co., Ltd.	Atmospheric pollutants	SO ₂	Filtered discharge	3	Plant area	4.8 mg/m ³	50 mg/m ³	1.65t	≤21.14 t/a	No

Name	Types of major and characteristic pollutants	Name of main pollutants and pollutant characteristics	Discharge method	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration	Executive pollutant discharge standard	Total amount of discharge	Total verified amount of discharge	Excessive discharge or not
Shandong NHU Vitamins Co., Ltd.	Atmospheric pollutants	NOx	Filtered discharge	4	Plant area	45mg/m ³	100 mg/m ³	33.575t	≤65.27 t/a	No
Shandong NHU Vitamins Co., Ltd.	Atmospheric pollutants	PM	Filtered discharge	5	Plant area	2.61 mg/m ³	10 mg/m ³	1.34t	≤4.8 t/a	No
Shandong NHU Vitamins Co., Ltd.	water pollution	COD	Sewer connection	1	Plant area	248 mg/L	2000 mg/L	42.4t	≤1376.56t/a	No
Shandong NHU Vitamins Co., Ltd.	water pollution	NH3-N	Sewer connection	1	Plant area	10.4 mg/L	100 mg/L	1.76t	≤68.61 t/a	No
Shandong NHU Vitamins Co., Ltd.	water pollution	TN	Sewer connection	1	Plant area	58.4mg/L	120 mg/L	10t	≤93.21t/a	No
Shandong NHU Fine ChemicalScience and Technology Co.	Atmospheric pollutants	VOC	Filtered discharge	2	Plant area	20.5mg/m ³	60 mg/m ³	1.82t	≤18.031 t/a	No
Shandong NHU Fine ChemicalScience and Technology Co.	Atmospheric pollutants	NOx	Filtered discharge	2	Plant area	30mg/m ³	100 mg/m ³	1.28t	≤37.61 t/a	No
Heilongjiang NHU Biotechnology Co., Ltd.	Atmospheric pollutants	PM	Filtered discharge	1	Plant area	16.73mg/m ³	30mg/m ³	7.45t	≤19.224t/a	No
Heilongjiang NHU Biotechnology Co., Ltd.	Atmospheric pollutants	PM	Filtered discharge	1	Plant area	10.52mg/m ³	30mg/m ³	0.000985t	≤0.68 t/a	No
Heilongjiang NHU Biotechnology Co., Ltd.	Atmospheric pollutants	PM	Filtered discharge	1	Plant area	6.85mg/m ³	30mg/m ³	0.001514t	≤0.55t/a	No
Heilongjiang NHU Biotechnology Co., Ltd.	Atmospheric pollutants	NOx	Filtered discharge	1	Plant area	32.64mg/m ³	200mg/m ³	13.63t	≤128.16 t/a	No
Heilongjiang NHU Biotechnology Co., Ltd.	Atmospheric pollutants	SO ₂	Filtered discharge	1	Plant area	96.78mg/m ³	200mg/m ³	43.07t	≤128.16 t/a	No
Heilongjiang NHU Biotechnology Co., Ltd.	Atmospheric pollutants	VOC	Filtered discharge	1	Plant area	1.29mg/m ³	150mg/m ³	0.58t	≤96.12 t/a	No
Heilongjiang NHU Biotechnology Co., Ltd.	Atmospheric pollutants	VOC	Filtered discharge	1	Plant area	15.73mg/m ³	150mg/m ³	0.001529t	≤3.38 t/a	No
Heilongjiang NHU Biotechnology Co., Ltd.	Atmospheric pollutants	VOC	Filtered discharge	1	Plant area	15.23mg/m ³	150mg/m ³	0.009881t	≤2.77 t/a	No
Heilongjiang NHU Biotechnology Co., Ltd.	Atmospheric pollutants	VOC	Filtered discharge	1	Plant area	5.7mg/m ³	150mg/m ³	0.00519t	≤2.80 t/a	No
Heilongjiang NHU Biotechnology Co., Ltd.	water pollution	COD	Sewer connection	1	Plant area	136.74 mg/m ³	300mg/L	699.25t	≤1980t/a	No
Heilongjiang NHU Biotechnology Co., Ltd.	water pollution	NH3-N	Sewer connection	1	Plant area	4.61mg/m ³	35mg/L	20.34t	≤231t/a	No

Construction and operation of pollution prevention and control facilities

The Company has established the environmental protection concept of green development: 1. Introducing the concept of green chemistry, developing and producing products that are more environment-friendly. 2. Transferring from support-orientation to responsibility-orientation, to conduct source reduction, process control and end-of-pipe treatment properly. 3. Pursuing reduction, recycling and harmlessness to create ecological factories, and realize the harmonious development of man and nature.

Wastewater treatment: The Company has a complete sewage treatment system, with a wastewater collection system for production sewage, domestic sewage, initial rainwater and accident water to separate the clean water and rainwater from the sewage. The waste pool is sealed with a cover, and all the waste gases are effectively collected and eventually incinerated, which effectively reduces the emission of waste gas. In 2022, the capacity of the sewage station will be upgraded, and the treatment capacity of the sewage station will be increased by 10%.

Waste gas treatment: The Company adopts the self-developed nitrogen sealing system to effectively reduce the waste gas emission; it uses different pretreatment technologies according to the composition and nature of different waste gases, and introduces advanced foreign waste gas treatment devices to strengthen its waste gas treatment capacity. The Company carries out regular waste gas leak detection and repair (LDAR) every year to effectively supervise and reduce unorganized waste gases. In 2021, The Company actively upgrades coal-fired thermal oil furnaces via the “coal to gas” conversion, introduces natural gas boilers, carries out low-NOx transformation, and adds SNCR denitrification facilities to the terminal to actively carry out NOx treatment. In 2022, the company began to implement the construction of odor-free factories, comprehensively carry out waste gas treatment, and solve the problem of odor at the factory boundary.

Solid waste disposal: the company has built a standardized hazardous waste temporary storage warehouse and a hazardous waste incineration device, and the company basically disposes of hazardous wastes by itself. Outsourced solid wastes shall be transferred in strict accordance with the requirements of the Management Measures for Five Forms of Hazardous Waste Transfer, and shall be entrusted to qualified units for disposal.

Noise prevention and control: The Company chooses low-noise equipment, and adopts the noise reduction measures of foundation damping for the equipment that does not need to be fixed. In addition to taking foundation damping for air compressors, blowers and various pumps, the Company also installs additional soundproof covers around the noise sources for sound insulation.

Emergency management: The Company installs online waste gas monitors around the plant boundary to monitor the environment of the plant boundary in real time. It introduces VOC online monitors to monitor the gas emission data in real time and uploads the detection data to the monitoring platform. It monitors the waste water emission index in real time by waste water online monitoring system of “one enterprise one pipe” and upload it to the Bureau of Ecology and Environment. It introduces domestic first-class elevated flare technology to specifically deal with abnormal waste gas in the production process. It also introduces domestic first-class leak stoppage technology under pressure to reduce the abnormal leakage of pipelines, valves, flanges and tanks to the minimum, thus reducing the environmental impact caused by a large number of leaks.

Environmental self-monitoring program

The company has good pollutant emission monitoring and management ability and can timely inform the environmental protection administrative department and the public of the monitoring information. The company has developed relevant self-test plans, which cover the indicators of the company's organized waste gas, unorganized waste gas and groundwater. At the same time, a third-party testing company is entrusted to carry out regular monitoring.

The company implements environmental information disclosure in strict accordance with the national, provincial, municipal and county requirements on enterprise environmental information disclosure. Each subsidiary has made enterprise environmental protection information public on platforms such as the environmental information management system of provincial and municipal key pollutant discharge units.

Environmental emergency response plan

On August 3, 2023, Shandong NHU Amino-acids Co., Ltd. re-filed the emergency response plan for environmental emergencies.

On August 25, 2023, Shandong NHU Vitamins Co., Ltd. re-filed its emergency response plan for environmental emergencies.

On August 30, 2023, Shandong NHU Fine Chemical Science and Technology Co. re-filed the emergency response plan for environmental emergencies.

Investment in environmental treatment and protection and payment of environmental protection tax

During the reporting period, the company invested RMB 628.81 million in environmental protection treatment and paid environmental protection tax of RMB 1.81 million.

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

Applicable Not applicable

In the research and development of new products, the carbon emission of 10,000 yuan output value is taken as an important indicator for the process route and environmental feasibility assessment of new products. The green development technology is applied in the research and development of new products to improve the atomic utilization rate and reduce the carbon emission generated by the consumption of raw materials from the source. (The photovoltaic power generation project of Shandong NHU Vitamins Co., Ltd.)

Administrative penalties for environmental problems during the reporting period

Name	Reasons for punishment	Violations	Results of punishment	Impact on the production and operation of the Company	Rectification measures of the Company
N/A	N/A	N/A	N/A	N/A	N/A

Other environmental information that should be disclosed

None.

Other information related to environmental protection

None.

II. Social responsibilities

Please refer to the announcement disclosed on <http://www.cninfo.com.cn> on April 23, 2024 for the full text of the "Social Responsibility Report of 2023".

III. Details on consolidating poverty alleviation achievements and promoting rural vitalization

None.

Section VI Significant Events

I. Commitment performance

1. Commitment performance fulfilled during the reporting period and not fulfilled as of the end of the reporting period by parties related to commitments including the actual controller of the Company, shareholders, related parties, acquirers and the Company

√ Applicable □ Not Applicable

Commitments	Parties making commitments	Types of commitments	Content of commitments	Time of commitment	Term of commitment	Performance
Commitments to shares reform	None	None	None	None	None	None
Commitments made in reports on acquisition and changes in equity	None	None	None	None	None	None
Commitments made in asset restructuring	None	None	None	None	None	None
Commitments made in IPO or refinancing	NHU Holding Group Co., Ltd. and Zhang Pingyi, Shi Cheng, Yuan Yizhong, Hu Baishan, Shi Guanqun, Wang Xuewen, Cui Xinrong, Wang Xulin	Commitments on horizontal competition, related party transactions and occupation of funds	The signing of "Commitment on No Engagement in Horizontal Competition" and commitments on no engagement in business activities result in horizontal competition with operations of the Company after listing	June 25, 2004	Long-term	Strictly performed
	Hu Baifan; Hu Baishan; Guanqun; Wang Xuewen; Cui Xinrong; Wang Zhengjiang; Zhou Guiyang		The Company's directors, senior executives committed to perform their duties faithfully and diligently to safeguard the legitimate rights and interests of the Company and shareholders, and make the following commitments in accordance with the relevant provisions of the CSRC for the full performance of measures on filling immediate returns: 1. not to transfer benefits to other entities or individuals without compensation or on unfair terms, and not to use other means to harm benefits of the Company; 2. to impose restrictions on duty consumption of member of the Board of Directors and senior executives; 3. not to use assets of the Company to engage in investment or consumption activities not related to duty performance; 4. to link remuneration system formulated by the Board of Directors or remuneration committee to the implementation of measures on filling immediate returns; 5. to link vesting conditions of equity incentive to be published in the future to the implementation of measures on filling immediate returns.	January 12, 2017	Long-term	Strictly performed

	Hu Baifan; NHU Holding Group Co., Ltd.		Not to interfere in the Company's business and management activities in excess of authority; not to encroach on benefits of the Company; to perform measures on filling immediate returns in a practical way.	January 12, 2017	Long-term	Strictly performed
Commitments to equity incentive	None	None	None	None	None	None
Other commitments to small and medium-sized shareholders of the Company	None	None	None	None	None	None
Other commitments to minority shareholders of the Company	NHU Holding Group Co., Ltd.	Share increase commitment	During the period of increasing the shares of the company and within the legal period, NHU Holding Group Co., Ltd. will not reduce the shares of the company and will complete the increase plan within the above implementation period.	October 27, 2023	6 months	Strictly performed
Whether commitments are performed on time				Yes		
If commitment performance is not fulfilled on time, please explain detailed reasons for it and the next work plans.				Not applicable		

2. Realization of profit forecasts for the Company's assets or projects and its reasons if there are profit forecasts for assets or projects and the reporting period is still in the profit forecast period

Applicable Not Applicable

II. Non-operating occupation of funds over listed companies by controlling shareholders and other related parties

Applicable Not Applicable

There is no non-operating occupation of funds over listed companies by controlling shareholders and other related parties during the reporting period.

III. Illegal external guarantees

Applicable Not Applicable

There is no illegal external guarantee during the reporting period.

IV. Explanations by the Board of Directors on the latest "Modified Auditor's Report"

Applicable Not Applicable

V. Statements by the Board of Directors, the Board of Supervisors and independent directors (if applicable) on the "Modified Auditor's Report" issued by the accounting firm during the reporting period

Applicable Not Applicable

VI. Changes of accounting policies and estimates or significant accounting error correction compared to the financial reports in the previous year

Applicable Not Applicable

The company did not have any changes in accounting policies, accounting estimates, or corrections of significant accounting errors

during the reporting period.

VII. Changes in the scope of consolidated financial statements compared to the financial reports in the previous year

Applicable Not Applicable

Name	Equity acquisition method	Time of equity acquisition
Shandong New Shuang'an Biotechnology Co., Ltd	Acquisition	September 20, 2023

VIII. Engagement and dismissal of accounting firms

Domestic accounting firms engaged currently

Name	Pan-China Certified Public Accountants LLP
Remuneration (thousand yuan)	2,100.00 (tax included)
Continuous years for audit services	23 years
Certified Public Accountants	Teng Peibin, Jan Yanhui
Certified Public Accountants' continuous years for audit services	4 years for Teng Peibin and 2 year for Jan Yanhui

Whether to engage another accounting firm instead in the current period

Yes No

Engagement of accounting firms, financial advisors or sponsors for audit of internal controls

Applicable Not Applicable

IX. Delisting after disclosure of the annual report

Applicable Not Applicable

X. Matters related to bankruptcy and restructuring

Applicable Not Applicable

There are no matters related to bankruptcy and restructuring during the reporting period.

XI. Significant lawsuits and arbitration

Applicable Not Applicable

There is no significant lawsuit and arbitration during the reporting period.

XII. Penalties and rectification

Applicable Not Applicable

XIII. Integrity of the Company, its controlling shareholders and the actual controller

Applicable Not Applicable

XIV. Significant related party transactions

1. Related party transactions relevant to daily operations

Applicable Not Applicable

There is no related party transaction relevant to daily operations during the reporting period.

2. Related party transactions in purchase or sale of assets or equities

Applicable Not Applicable

There is no related party transaction in purchase or sale of assets or equities during the reporting period.

3. Related party transactions in joint external investments

Applicable Not Applicable

There is no related party transaction in joint external investments during the reporting period.

4. Related party creditor's rights and debts

Applicable Not Applicable

There is no related creditor's rights or debts during the reporting period.

5. Transactions with related financial companies

Applicable Not Applicable

There is no business of deposits, loans, credit granting or other financial businesses between the Company and its related financial companies.

6. Transactions between financial companies controlled by the Company and the Company's related parties

Applicable Not Applicable

There is no business of deposits, loans, credit granting or other financial businesses between financial companies controlled by the Company and the Company's related parties.

7. Other significant related party transactions

Applicable Not Applicable

There is no other significant related party transaction during the reporting period.

XV. Significant contracts and performance

1. Matters of trusteeship, contracting and leases

(1) Trusteeship

Applicable Not Applicable

There is no trusteeship during the reporting period.

(2) Contracting

Applicable Not Applicable

There is no contracting during the reporting period.

(3) Leases

Applicable Not Applicable

There is no lease during the reporting period.

2. Significant guarantees

Applicable Not Applicable

Unit: RMB 0,000 yuan

External guarantees by the Company and its subsidiaries to third parties (guarantees to subsidiaries are excluded)										
Guaranteed parties	Announcement date of disclosure of amount guaranteed	Amount guaranteed	Actual commencement date	Actual amount guaranteed	Types of guarantees	Collaterals (if any)	Counter guarantees (if any)	Period of guarantee	Whether the guarantee is mature	Whether guarantee for related parties
No										
Total amount of guarantees approved during the reporting period (A1)				0	Total amount actually guaranteed during the reporting period (A2)					0
Total amount of guarantees approved at the end of the reporting period (A3)				0	Total amount actually guaranteed at the end of the reporting period (A4)					0
The Company's guarantees to subsidiaries										
Guaranteed parties	Announcement date of disclosure of amount guaranteed	Amount guaranteed	Actual commencement date	Actual amount guaranteed	Types of guarantees	Collaterals (if any)	Counter guarantees (if any)	Period of guarantee	Whether the guarantee is mature	Whether guarantee for related parties
Heilongjiang NHU Biotechnology Co., Ltd.	12/28/2018	200,000	6/24/2019	200,000	Joint and several liability guarantee			6/24/2019-12/31/2023	Yes	No
Shandong NHU Vitamins Co., Ltd.	12/28/2018	90,000	11/29/2019	50,000	Joint and several liability guarantee			11/29/2019-4/26/2023	Yes	No
NHU (Hong Kong) Trading Co., Ltd.	5/22/2020	120,000	9/7/2020	56,661.6	Joint and several liability guarantee			9/7/2020-9/7/2023	Yes	No
Shandong NHU Fine Chemical Science and Technology Co.	5/22/2020	50,000	3/24/2021	50,000	Joint and several liability guarantee			3/24/2021-12/25/2025	No	No
NHU (Hong Kong) Trading Co., Ltd.	5/11/2022	130,000	6/17/2022	7,859.18	Joint and several liability guarantee			6/17/2022-6/18/2023	Yes	No
NHU (Hong Kong) Trading Co., Ltd.	5/11/2022	130,000	7/14/2022	7,859.18	Joint and several liability guarantee			7/14/2022-5/15/2023	Yes	No
Heilongjiang NHU Biotechnology Co., Ltd.	4/22/2021	40,000	8/26/2021	37,000	Joint and several liability guarantee			8/26/2021-12/21/2025	No	No
Zhejiang NHU Imports & Exports Co., Ltd.	5/11/2022	15,000	5/31/2022	15,000	Joint and several liability guarantee			5/31/2022-10/23/2023	Yes	No
Zhejiang NHU Imports & Exports Co., Ltd.	5/20/2023	25,000	6/16/2023	10,000	Joint and several liability guarantee			6/16/2023-6/15/2024	No	No
Xinchang NHU Vitamins Co.	4/22/2021	40,000	12/16/2021	29,000	Joint and several liability guarantee			12/16/2021-12/25/2026	No	No
NHU (Hong Kong) Trading Co., Ltd.	5/11/2022	130,000	9/2/2022	103.86	Joint and several liability guarantee			9/2/2022-5/1/2023	Yes	No

NHU (Hong Kong) Trading Co., Ltd.	5/11/2022	130,000	11/3/2022	8.36	Joint and several liability guarantee			11/3/2022-6/1/2023	Yes	No
NHU (Hong Kong) Trading Co., Ltd.	5/11/2022	130,000	12/15/2022	24.56	Joint and several liability guarantee			12/15/2022-8/1/2023	Yes	No
NHU (Hong Kong) Trading Co., Ltd.	5/11/2022	130,000	3/15/2023	14.43	Joint and several liability guarantee			3/15/2023-11/1/2023	Yes	No
NHU (Hong Kong) Trading Co., Ltd.	5/11/2022	130,000	5/12/2023	45.83	Joint and several liability guarantee			5/12/2023-12/1/2023	Yes	No
NHU (Hong Kong) Trading Co., Ltd.	5/20/2023	100,000	6/12/2023	15.87	Joint and several liability guarantee			6/12/2023-3/1/2024	No	No
NHU (Hong Kong) Trading Co., Ltd.	5/20/2023	100,000	8/4/2023	97.31	Joint and several liability guarantee			8/4/2023-5/1/2024	No	No
NHU (Hong Kong) Trading Co., Ltd.	5/20/2023	100,000	9/26/2023	26.69	Joint and several liability guarantee			9/26/2023-6/1/2024	No	No
NHU (Hong Kong) Trading Co., Ltd.	5/20/2023	100,000	12/5/2023	4.01	Joint and several liability guarantee			12/5/2023-9/1/2024	No	No
Zhejiang NHU Pharmaceutical Co., Ltd	5/11/2022	60,000	6/24/2022	55,000	Joint and several liability guarantee			6/24/2022-6/23/2027	No	No
Xinchang NHU Vitamins Co.	5/11/2022	20,000	10/14/2022	18,000	Joint and several liability guarantee			10/14/2022-10/14/2027	No	No
NHU (Hong Kong) Trading Co., Ltd.	5/20/2023	100,000	6/12/2023	7,790.97	Joint and several liability guarantee			6/12/2023-6/12/2024	No	No
Shandong NHU Fine Chemical Science and Technology Co.	5/20/2023	58,600	6/6/2023	58,600	Joint and several liability guarantee			6/6/2023-3/29/2028	No	No
NHU (Hong Kong) Trading Co., Ltd.	5/20/2023	100,000	11/20/2023	56,661.6	Joint and several liability guarantee			11/20/2023-11/8/2026	No	No
Total amount of guarantees approved for subsidiaries during the reporting period (B1)				215,000	Total amount actually guaranteed for subsidiaries during the reporting period (B2)			133,256.71		
Total amount of guarantees approved for subsidiaries at the end of the reporting period (B3)				404,000	Total amount actually guaranteed for subsidiaries at the end of the reporting period (B4)			322,196.45		
Guarantees by subsidiaries to subsidiaries										
Guaranteed parties	Announcement date of disclosure of amount guaranteed	Amount guaranteed	Actual commencement date	Amount actually guaranteed	Types of guarantees	Collaterals (if any)	Counter guarantee (if any)	Period of guarantee	Whether the guarantee is mature	Whether guarantee for related parties
No										
Total amount of guarantees approved for subsidiaries during the reporting period (C1)				0	Total amount actually guaranteed for subsidiaries during the reporting period (C2)				0	

Total amount of guarantees approved for subsidiaries at the end of the reporting period (C3)	0	Total amount actually guaranteed for subsidiaries at the end of the reporting period (C4)	0
Total amount guaranteed by the Company (namely sum of the above three items)			
Total amount of guarantees approved during the reporting period (A1+B1+C1)	215,000	Total amount actually guaranteed during the reporting period (A2+B2+C2)	133,256.71
Total amount of guarantees approved at the end of the reporting period (A3+B3+C3)	404,000	Total amount actually guaranteed at the end of the reporting period (A4+B4+C4)	322,196.45
Proportion of the amount actually guaranteed (A4+B4+C4) to net assets of the Company		12.99%	
Including:			
Balance of guarantees for shareholders, the actual controller and its related parties (D)		0	
Balance of debt guarantee directly or indirectly for guaranteed parties with debt to asset ratio exceeding 70% (E)		202,600.00	
The amount of the total amount guaranteed exceeding 50% of net assets (F)		0	
Total amount guaranteed of three items above (D+E+F)		202,600.00	
Remarks on unexpired guarantee contracts with guarantee liabilities incurred or evidence indicating the possibility of undertaking joint liquidation liabilities during the reporting period (if applicable)		No	
Remarks on external guarantee in violation of provisions (if applicable)		No	

Specific description of the use of composite guarantees:

None

3. Entrusted cash assets management

(1) Entrusted financing

Applicable Not Applicable

Entrusted financing during the reporting period

Unit: RMB 0,000 yuan

Types	Source of entrusted funds	Entrusted amount	Unexpired balance	Amount overdue and not recovered	Impairment amount accrued for financial products overdue and not recovered
Bank financial products	Raised funds	80,000	14,500	0	0
Total		80,000	14,500	0	0

High-risk entrusted financial products with individual significant amount or low security and poor liquidity

Applicable Not Applicable

When the principal of entrusted financial products is expected to be irrevocable or there are other conditions result in impairment of entrusted financial products

Applicable Not Applicable

(2) Entrusted loans

Applicable Not Applicable

There is no entrusted loan during the reporting period.

4. Other significant contracts

Applicable Not Applicable

There is no other significant contract during the reporting period.

XVI. Other significant events

Applicable Not Applicable

1. Progress of the third phase of employee stock ownership plan

The third employee stock ownership plan of the Company was deliberated and adopted by the second extraordinary shareholders' meeting of 2020 held on November 11, 2020, the current employee stock ownership plan is managed by the Company itself, and the Company's shares are acquired and held by stock purchase through secondary market, the duration shall not exceed 24 months. On February 26, 2021, the number of shares held by the third employee stock ownership plan of the Company was 12,157,826*, accounting for RMB 303,710,918.74 Yuan and 0.39% of the company's total share capital. The company held the 14th meeting of the eighth board of directors on October 31, 2022, reviewed and approved the "Proposal on the Extension of the Duration of the Third Employee Stock Ownership Plan", and agreed that the duration of the company's employee stock ownership plan will be extended. The former duration November 11, 2020 to November 10, 2022 will be adjusted to November 11, 2020 to November 10, 2023. Other contents will not be changed. As of November 11, 2023, the third phase of the Employee Stock Ownership Plan was sold.

For details, please refer to the "Announcement on Completion and Termination of the Sale of the Third Phase of the Employee Stock Ownership Plan" (Announcement No. 2023-065) published by the Company on designated information disclosure media and <http://www.cninfo.com.cn> on November 11, 2023.

** On May 25, 2022, after the implementation of the company's 2021 annual equity distribution, the number of shares held by the company's third-phase employee stock ownership plan increased to 12,157,826 shares, accounting for 0.39% of the company's existing total share capital.*

2. Progress of the fourth employee stock ownership plan

The fourth phase of the Employee stock ownership Plan of the Company was reviewed and approved by the first extraordinary General meeting of shareholders in 2023 held on June 26, 2023. The current employee stock ownership plan is managed by the Company itself, acquired and held by the Company through the secondary market purchase, with a duration of not more than 24 months. As of September 25, 2023, a total of 29,528,181 shares of the Company have been purchased under the fourth phase of the employee stock ownership Plan through the secondary market bidding transaction, accounting for 0.9553% of the Company's existing total share capital, with a total transaction amount of 479,442,157.08 yuan (excluding transaction costs). The average transaction price was about 16.2368 yuan per share, and the company completed the target stock purchase of the fourth phase of the employee stock ownership plan. The lock-up period of the underlying shares acquired under the fourth Employee Stock Ownership Plan is 12 months, calculated from the date of the Company's announcement of the transfer of the last underlying shares to the plan. For details, please refer to the Announcement on the Implementation Progress of the Fourth Employee Stock Ownership Plan and Completion of Stock Purchase (2023-060) published by the Company on designated information disclosure media and <http://www.cninfo.com.cn>.

3. Progress of the controlling shareholder in increasing the company's shares

Based on the confidence of the company's future sustainable and stable development and the recognition of the company's value, to enhance investor confidence, the company's controlling shareholder NHU Holding Group Co., Ltd. plans to increase its shares of the Company in the next six months from October 26, 2023, through the means permitted by the trading system of Shenzhen Stock Exchange (including but not limited to centralized bidding, block trading, etc.). The amount of shares to be increased shall not be less than RMB 200 million and shall not exceed RMB 300 million. There is no price range for this plan, and the plan will be gradually implemented according to the volatility of the company's stock price and the overall trend of the capital market. As of the end of the

reporting period, NHU Holding Company has accumulated 15,046,826 shares of the Company, accounting for 0.4868% of the total share capital of the Company, and accumulated additional holdings of 250,325,523.96 yuan (excluding transaction fees).

4. Progress of investment projects with raised funds

With the approval of [2017] No. 1684 document of China Securities Regulatory Commission, the company's lead underwriter, CSC Securities Co., Ltd., privately issued 175 million common shares (A shares) to specific objects at an issue price of RMB 28.00/share, raising a total of RMB 4,900 million. After deducting the underwriting and recommendation fees of RMB 30 million yuan (including tax), the raised funds amounted to RMB 4,870 million, which was remitted to the raised funds supervision account of the company by the lead underwriter, CSC Securities Co., Ltd. on December 7, 2017. In addition, after deducting lawyer fees, audit fees, capital verification fees and other issuance expenses of RMB 4.62 million (excluding tax), and considering the deductible VAT input tax of RMB 1.70 million of underwriting fees and recommendation fees deducted by the lead underwriter, the net amount of funds raised was RMB 4,867.08 million. The availability of the above raised funds has been verified by Tianjian Certified Public Accountants (special general partnership), who issued the capital verification report ([2017] No. 503).

From January to December 2023, the actual use of the raised funds was RMB 1,340.60 mn, and the accumulated investment of the raised funds project was RMB 5,118.80 mn. As of December 31, 2023, The balance of raised funds is RMB 498.27 mn (including financial management and structured deposits, the net amount of accumulated bank deposit interest less bank fees, etc., and bank financial management income).

5, the company's board of directors, the board of supervisors to complete the election and appointment of senior management, securities affairs representatives and internal audit head

The Company held the second extraordinary general meeting of 2023 on September 19, 2023, and elected non-independent directors Hu Baifan, Hu Ba-shan, Shi Guanqun, Wang Xuowen, Wang Zhengjiang, Zhou Guiyang and Yu Hongwei, and elected independent directors Ji Jianyang, Shen Yuping, Wan Feng and Wang Yang to form the ninth Board of Directors of the Company. Elected non-employee representative supervisors Lv Guofeng, Zhao Jia, Wang Xiaobi, and employee representative supervisors Yan Hongyue and Li Huafeng elected by the company's employee congress to form the ninth Board of Supervisors of the company. On the same day, the company held the first meeting of the ninth Board of Directors, elected Hu Baifan as chairman, Hu Bai-shan as vice chairman and elected members of the ninth Board of Directors of the special committee, appointed Hu Bai-Shan as president of the company, Shi Guanqun as secretary of the board, Zeng Shuying as representative of securities affairs, Shi Guanqun, Wang Xuowen and Zhang Liying were appointed as vice presidents of the company, Shi Guanqun as Chief financial officer of the company, and Chen Boxiang as head of internal audit of the company; On the same day, the company held the first meeting of the ninth Board of Supervisors and elected Lv Guofeng as the chairman of the Board of Supervisors. For details, please refer to the Announcement on the Completion of the Election of the Board of Directors and the Board of Supervisors and the Appointment of Senior Management Personnel, Securities Affairs Representative and Head of Internal Audit (2023-059) published by the Company on designated information disclosure media and <http://www.cninfo.com.cn>.

XVII. Significant events of subsidiaries of the Company

Applicable Not Applicable

Section VII Movements in Shares and Conditions of Shareholders

I. Movements in shares

1. Details

Unit: Share

Items	Before		Movements					After	
	Quantity	% to total	Issue of new shares	Bonus shares	Reserve transferred to shares	Others	Subtotal	Quantity	% to total
I. Restricted shares	36,374,202	1.18%				35,550	35,550	36,409,752	1.18%
1. Held by other domestic parties	36,374,202	1.18%				35,550	35,550	36,409,752	1.18%
Including: Held by domestic natural persons	36,374,202	1.18%				35,550	35,550	36,409,752	1.18%
II. Unrestricted shares	3,054,533,154	98.82%				-35,550	-35,550	3,054,497,604	98.82%
1. RMB ordinary shares	3,054,533,154	98.82%				-35,550	-35,550	3,054,497,604	98.82%
III. Total	3,090,907,356	100.00%				0	0	3,090,907,356	100.00%

Reason for movements

 Applicable Not Applicable

On September 19, 2023, the Company held the second extraordinary General meeting of 2023, the first meeting of the ninth Board of Supervisors, and the first meeting of the ninth Board of Directors in the company's conference room to review and approve the relevant motions on the election of the Board of Directors and the Board of Supervisors and the appointment of senior managers, securities affairs representatives and internal audit leaders. Ms. Zhang Liying was elected as the vice President of the company, her original 47,400 shares were locked up at 75% ratio, and 35,550 new restricted shares were added.

Approval on movements in shares

 Applicable Not Applicable

Transfer of shares

 Applicable Not Applicable

Effect of movements in shares on financial indicators of preceding year and preceding period such as basic EPS and diluted EPS, net assets per share attributable to shareholders of ordinary shares

 Applicable Not Applicable

Other contents the Company considered as necessary or securities regulatory institutions required disclosure

 Applicable Not applicable

2. Movement in restricted shares

 Applicable Not applicable

Unit: Share

Shareholders	Number of restricted shares at the beginning of the period	Number of restricted shares increased during the current period	Number of restricted shares unlocked during the current period	Number of restricted shares at the end of the period	Reason for restriction	Date of unlocking
Zhang Liying	0	35,550		35,550	Locked up for the shares are held by the executive	75% of total shares held by the executive are locked up on an annual basis.
Total	0	35,550	0	35,550	--	--

II. Issuance and listing of securities

1. Issuance of securities (preferred shares excluded) within the reporting period

Applicable Not Applicable

2. Movements in total shares of the Company and structure of shareholders, movements in structure of assets and liabilities of the Company

Applicable Not Applicable

3. Existing shares held by internal employees

Applicable Not Applicable

III. Shareholders and actual controllers

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

Unit: Share

Total number of ordinary shareholders at the end of the reporting period	107,247	Total number of ordinary shareholders at the end of the previous month prior to the date of disclosure of the annual report	98,469	Total number of preferred shareholders whose voting rights were restored at the end of the reporting period	0	Total number of preferred shareholders whose voting rights were restored at the end of the previous month prior to the date of disclosure of the annual report	0	
Shareholders with holding proportion over 5% or the top 10 shareholders with largest holding proportions								
Shareholders	Nature of shareholders	Holding proportion	Quantity of ordinary shares at the end of the reporting period	Movements during the reporting period	Quantity of restricted shares	Quantity of unrestricted shares	Shares pledged, marked or frozen	
							Condition	Quantity
NHU Holding Group Co., Ltd.	Domestic non-state-owned legal person	49.71%	1,536,409,351	15,046,826	0	1,536,409,351	N/A	
Hong Kong Securities Clearing Company Limited	Overseas legal person	3.22%	99,482,997	32,346,205	0	99,482,997	N/A	
Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategic Huizhi Fund	Others	1.75%	54,072,200	0	0	54,072,200	N/A	
National Social Security Fund No.503 Portfolio	Others	1.33%	41,000,100	2,000,040	0	41,000,100	N/A	
The Company – Employee stock ownership plan phase IV	Others	0.96%	29,528,181	2,952,818	0	29,528,181	N/A	
China Construction Bank Corporation - E Fund Shanghai and Shenzhen 300 Medical and Health Trading Open-end Index Fund	Others	0.74%	22,999,677	6,879,544	0	22,999,677	N/A	

National Social Security Fund No.117 Portfolio	Others	0.58%	18,019,748	9,799,838	0	18,019,748	N/A	
China Life Insurance Company Limited-Traditional-General Insurance Products-005L-ShanghaiCT001	Others	0.53%	16,516,386	3,251,002	0	16,516,386	N/A	
Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategic Yingzhi Fund	Others	0.53%	16,248,559	0	0	16,248,559	N/A	
Hu Baishan	Domestic natural person	0.47%	14,595,929	0	10,946,947	14,595,929	N/A	
Strategic investors or ordinary legal persons that became one of the top 10 shareholders due to the allotment of new shares	Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategic Huizhi Fund became one of the top 10 shareholders with largest holding proportions due to its participation in private placement of shares in 2017.							
Remarks on relationships or concerted action between the top 10 shareholders with largest holding proportions	Among the above shareholders, Hu Baishan is the director of NHU Holding Group Co., Ltd. Due to participating in Employee stock ownership plan phase IV, Hu Baishan formed an association relationship with The Company – Employee stock ownership plan phase IV. The Company does not know whether other shareholders have relationships and whether they are persons acting in concert as defined in <i>Administration of the Takeover of Listed Companies Procedures</i> .							
Remarks on proxy voting and waiver of voting right of the above shareholders	None							
Special remarks on top 10 shareholders with special repurchase accounts	The Company's special securities account for repurchase is attributable to the top 10 shareholders, who however did not participate in the presentation of such balances.							
Top 10 shareholders with unrestricted shares								
Shareholders	Quantity of unrestricted shares at the end of the reporting period		Category of shares					
			Category	Quantity				
NHU Holding Group Co., Ltd.	1,536,409,351		RMB ordinary shares	1,536,409,351				
Hong Kong Securities Clearing Company Limited	99,482,997		RMB ordinary shares	99,482,997				
Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategic Huizhi Fund	54,072,200		RMB ordinary shares	54,072,200				
National Social Security Fund No.503 Portfolio	41,000,100		RMB ordinary shares	41,000,100				
The Company – Employee stock ownership plan phase IV	29,528,181		RMB ordinary shares	29,528,181				
China Construction Bank Corporation - E Fund Shanghai and Shenzhen 300 Medical and Health Trading Open-end Index Fund	22,999,677		RMB ordinary shares	22,999,677				
National Social Security Fund No.117 Portfolio	18,019,748		RMB ordinary shares	18,019,748				
China Life Insurance Company Limited-Traditional-General Insurance Products-005L-ShanghaiCT001	16,516,386		RMB ordinary shares	16,516,386				
Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategic Yingzhi Fund	16,248,559		RMB ordinary shares	16,248,559				
Chongyang Group Co., Ltd.	13,962,191		RMB ordinary shares	13,962,191				
Remarks on relationships or concerted action between the top 10 shareholders with unrestricted shares, and between the top 10 shareholders with unrestricted shares and top 10 shareholders with largest holding proportions.	Among the above shareholders, Hu Baishan is the director of NHU Holding Group Co., Ltd. Due to participating in Employee stock ownership plan phase IV, Hu Baishan formed an association relationship with The Company – Employee stock ownership plan phase IV. The Company does not know whether other shareholders have relationships and whether they are persons acting in concert as defined in <i>Administration of the Takeover of Listed Companies Procedures</i> .							
Remarks on top 10 shareholders of ordinary shares participating in securities margin trading	Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategic Huizhi Fund holds 54,072,127 shares through client account of collateral securities for margin trading of Guotai Junan Securities Co., Ltd.; Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategic Yingzhi Fund holds 16,248,461 shares through client account of collateral securities for margin trading of CITIC Securities Co., Ltd.; Chongyang Group Co., Ltd. holds 13,961,946 shares through client account of collateral securities for margin trading of China Merchants Securities Co., Ltd.							

The lending of shares by the top 10 shareholders in the refinancing business

Applicable Not applicable

Unit: Share

The status of the top ten shareholders' participation in securities lending and borrowing transactions								
Shareholder name (full name)	Holdings in ordinary account and credit account at the beginning of the period		Shares borrowed for securities lending at the beginning of the period and have not yet been returned		Holdings in ordinary account and credit account at the end of the period		Shares borrowed for securities lending at the end of the period and have not yet been returned	
	Total quantity	Ratio to total share capital	Total quantity	Ratio to total share capital	Total quantity	Ratio to total share capital	Total quantity	Ratio to total share capital
China Construction Bank Corporation - E Fund Shanghai and Shenzhen 300 Medical and Health Trading Open-end Index Fund	16,120,133	0.52%	206,500	0.01%	22,999,677	0.74%	252,800	0.01%

Changes in the top 10 shareholders compared with the previous period

Applicable Not applicable

Unit: Share

Changes in the top 10 shareholders compared with the end of the previous period					
Shareholder name (full name)	Entrant /Exit during the reporting period	Number of shares lent through refinancing and not yet returned at the end of the period		Number of shares held in shareholders' general accounts and credit accounts, and shares lent through refinancing and not yet returned at the end of the period	
		Total quantity	Ratio to total share capital	Total quantity	Ratio to total share capital
The Company – Employee stock ownership plan phase IV	Entrant	0	0.00%	29,528,181	0.96%
National Social Security Fund No.117 Portfolio	Entrant	0	0.00%	18,019,748	0.58%
China Life Insurance Company Limited-Traditional-General Insurance Products-005L-ShanghaiCT001	Entrant	0	0.00%	16,516,386	0.53%
Kuwait Investment Authority	Exit	0	0.00%	1,035,565	0.03%
National Social Security Fund No.112 Portfolio	Exit	0	0.00%	11,888,657	0.38%
Chongyang Group Co., Ltd.	Exit	0	0.00%	13,962,191	0.45%

Whether the Company's top 10 ordinary shareholders and the top 10 ordinary shareholders without selling restrictions conducted agreed repurchase transactions during the reporting period

Applicable Not applicable

The the Company's top 10 ordinary shareholders and the top 10 ordinary shareholders without selling restrictions did not engage in any agreed repurchase transactions during the reporting period.

2. Controlling shareholders

Nature of shareholders: Natural person holding

Category of shareholders: Legal person

Holding shareholders	Legal representative/ Head of the entity	Date of establishment	Unified social credit code	Main business scope
NHU Holding Group Co., Ltd.	Hu Baifan	2/14/1989	91330624146424869T	Industrial investments, goods import and export; production and sales of chemical products, pharmaceutical intermediates, chemical materials
Equity conditions of other domestic and overseas listed companies that the holding shareholders control or participate in during the reporting period	NHU Holding Group Co., Ltd. directly holds 36.73% of the shares of Beijing Fuyuan Pharmaceutical Co., Ltd.			

Changes of holding shareholders during the reporting period

Applicable Not applicable

The Company has no changes of holding shareholders during the reporting period.

3. Actual controllers and persons acting in concert

Nature of actual controller: Domestic natural persons

Category of actual controller: Natural persons

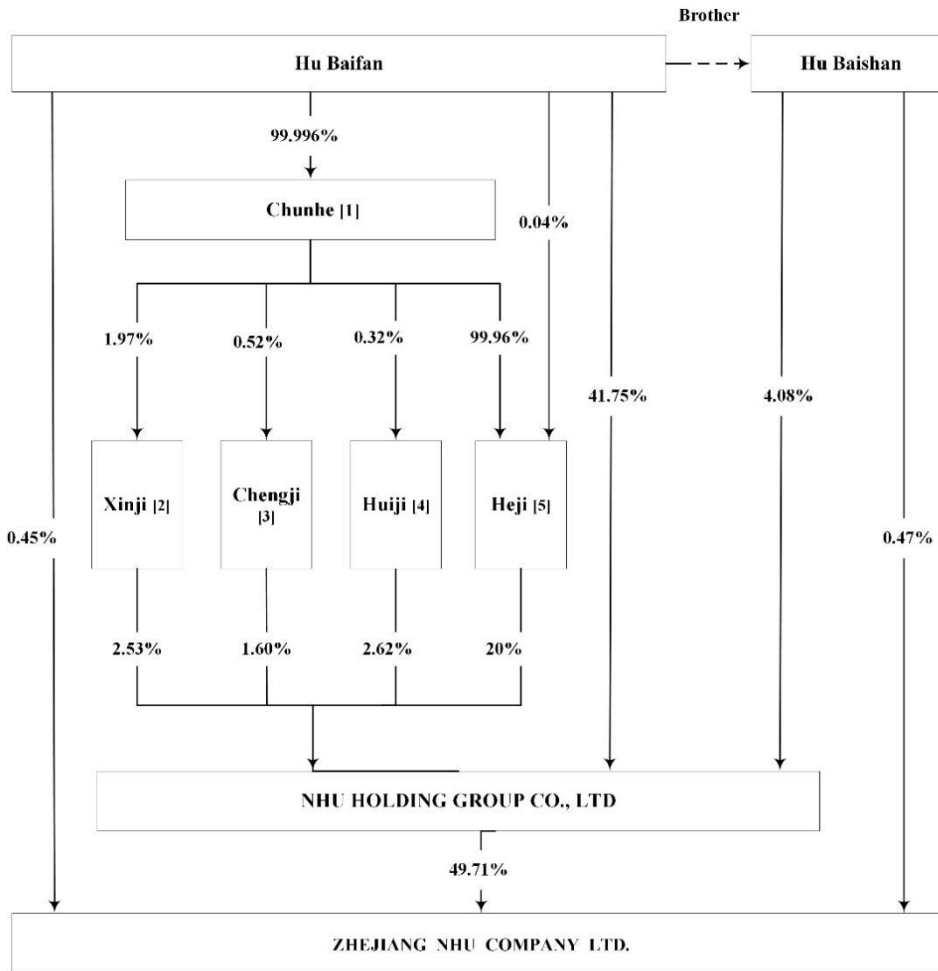
Actual controller	Relationship with the actual controller	Nationality	Whether has permanent residence in other countries or regions
Hu Baifan	Self	China	No
Hu Baishan	Person acting in concert (including the following forms: agreement, relatives, common control)	China	No
Main occupation and position	<p>Mr. Hu Baifan, Chairman of the Board, is a Chinese born in 1962, who has no permanent residence in foreign countries or regions. He has a master's degree in Business Administration of Zhejiang University, and he is Senior Economist, Member of the Communist Party of China. He also serves as the Chairman of NHU Holding Group Co., Ltd. and its holding subsidiary Shaoxing Yuexiu Education Development Co., Ltd., and Director of NHU Real Estate Holding Co., Ltd.</p> <p>Mr. Hu Baishan, Vice Chairman and President, is a Chinese born in 1967, who has no permanent residence in foreign countries or regions. He has a master's degree in EMBA program of Zhejiang University, and he is Senior Engineer, Member of the Communist Party of China. He also serves as the Director of NHU Holding Group Co., Ltd. and Shaoxing Yuexiu Education Development Co., Ltd.</p>		
Domestic and oversea listed companies once been under their control within a decade	Beijing Foyou Pharma Co., Ltd. actually controlled by Hu Baifan was listed on the main board of Shanghai Stock Exchange in 2022.		

Changes of actual controller within the reporting period

Applicable Not applicable

The Company has no changes in actual controller within the reporting period.

Block diagram of title and control relationships between the Company and the actual controller



- [1] Chunhe: County Chunhe Investment Management Partnership (Limited Liability)
- [2] Xinji: Xinchang County Xinji Investment Management Partnership (Limited Liability)
- [3] Chengji: Xinchang County Chengji Investment Management Partnership (Limited Liability)
- [4] Heji: Xinchang County Heji Investment Management Partnership (Limited Liability)

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

Applicable Not applicable

4. Whether the quantity of accumulated pledged shares of the Company held by the controlling shareholders or the largest shareholder and his person acting in concert accounts for over 80% of total shares of the Company held by them

Applicable Not applicable

5. Other legal person shareholders with holding proportion over 10%

Applicable Not applicable

6. Decrease in holding proportion of restricted shares of controlling shareholders, actual controllers, reorganizing parties and other undertaking entities

Applicable Not applicable

On August 24, 2023, the Company published the "Announcement on the Commitment of the Controlling Shareholders, Actual Controllers and Directors of the Company Not to Reduce Their Shares of the Company" (2023-037) on designated information disclosure media and <http://www.cninfo.com.cn>. NHU Holding Group Co., LTD., the controlling shareholder, Mr. Hu Baifan, the actual

controller, Mr. Hu Baishan, the acting party, and other directors and senior management personnel holding shares of the Company (Mr. Shi Guanqun, Mr. Wang Xuowen, Mr. Wang Zhengjiang, and Mr. Zhou Guiyang) declare not to reduce their holdings of the Company's shares within six months from the date of signing the commitment letter. It includes the new shares arising from the conversion of capital reserves, distribution of stock dividends, rights issues, additional issues and other matters during the commitment period.

The Company published the "Announcement on Controlling Shareholders' Plan to Increase the Company's Shares" (2023-064) on designated information disclosure media and <http://www.cninfo.com.cn> on October 27, 2023, the controlling shareholder NHU Holding Group Co., Ltd. plans to increase its shares of the company in the next 6 months through the means permitted by the trading system of the Shenzhen Stock Exchange (including but not limited to centralized bidding, block trading, etc.). The amount of shares to be increased is not less than 200 million yuan and not more than 300 million yuan, and there is no price range for this increase plan. New Harmony Holdings Group Limited undertakes not to reduce its shares during the period of increase and the statutory period.

IV. Actual implementation of share repurchase during the reporting period

Actual progress of share repurchase

Applicable Not applicable

Implementation progress of shareholding reduction for shares repurchased through centralized bidding

Applicable Not applicable

Section VIII Preferred Shares

Applicable Not applicable

The Company has no preferred shares during the reporting period.

Section IX Bonds

Applicable Not applicable

Section X Financial Report

I. Auditor's Report

Audit Opinion	Standard unqualified opinion
Date of Auditor's Report	April 19, 2024
Accounting Firm	Pan-China Certified Public Accountants LLP
Number of Auditor's Report	PCCPAAR [2024] No. 2809
Signatory Certified Public Accountants	Teng Peibin, Jan Yanhui

Auditor's Report

To the Shareholders of Zhejiang NHU Co., Ltd.:

I. Audit Opinion

We have audited the accompanying financial statements of Zhejiang NHU Co., Ltd. (the "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2023, the consolidated and parent company income statements, the consolidated and parent company cash flow statements, and the consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

II. Basis for Audit Opinion

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

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters.

(I) Revenue recognition

1. Key audit matters

Please refer to item V 23、VII 40 and XVII.1 of this section for details.

The Company is mainly engaged in manufacturing and sales of nutrition, flavor and fragrance, new polymer materials, etc. In 2023, the operating revenue amounted to 15.12 billion yuan.

As operating revenue is one of the key performance indicators of the Company, there might be inherent risks that the Company's management (the "Management") adopts inappropriate revenue recognition to achieve specific goals or expectations, we have identified revenue recognition as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for revenue recognition are as follows:

- (1) We obtained understandings of key internal controls related to revenue recognition, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of the operation;
- (2) We checked sale contracts, obtained understandings of main contractual terms or conditions, and assessed whether the revenue recognition method was appropriate;
- (3) We performed analysis procedure on operating revenue and gross margin by month, product, client, etc., so as to identify whether there are significant or abnormal fluctuations and find out the reason of fluctuations;
- (4) For revenue from domestic sales, we checked supporting documents related to revenue recognition by sampling method, including sales contracts, sales invoices, delivery lists, shipping documents, client acceptance receipts, etc.; for revenue from overseas sales, we obtained information from Electron Port and checked it with accounting records, and checked supporting documents including sales contracts, bills of clearance, waybills, sales invoices, etc. by sampling method;
- (5) We performed confirmation procedures on current sales amount by sampling method in combination with confirmation procedure of accounts receivable;
- (6) We performed cut-off tests on the operating revenue recognized around the balance sheet date, and assessed whether the operating revenue was recognized in the appropriate period;
- (7) We obtained the sales return records after the balance sheet date, and checked whether there was any situation that meet the revenue recognition conditions on the balance sheet date
- (8) We checked whether information related to operating revenue had been presented appropriately in the financial statements.

(II) Existence and integrity of cash and bank balances

1. Key audit matters

Please refer to item V 1 of this section for details.

At the balance sheet date, the Company's cash and bank balances amounted to 4,543.36 million yuan, which is one of the main assets of the Company. As the amount of cash and bank balances is significant, the existence and integrity of cash and bank balances have significant influence on financial statements, we have identified existence and integrity of cash and bank balances as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for existence and integrity of cash and bank balances are as follows:

- (1) We obtained understandings of key internal controls related to management of cash and bank balances, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of the operation;
- (2) We checked integrity of bank accounts in combination with detail tests based on "List of Opened Bank Settlement Accounts" obtained;
- (3) We obtained and checked bank statements and bank reconciliation statements, and performed confirmation procedures on balance of bank accounts;

(4) We checked bank statements and bank journals, performed bidirectional tests on bank statements of significant accounts, and checked the transactions with large amounts;

(5) We checked the original documents of time deposit, and checked whether cash and bank balances have been pledged in combination with enterprise credit reports;

(6) We reviewed interest income, and checked whether interest income was consistent with the amount of cash and bank balances; and

(7) We checked whether information related to cash and bank balances had been presented appropriately in the financial statements.

(III) Recognition and measurement of fixed assets and construction in progress

1. Key audit matters

Please refer to item V 15、16 and VII 12、13 of this section for details.

As of December 31, 2023, the Company's carrying amount of fixed assets and construction in progress totals 23,481.97 million yuan, which is one of the major assets of the Company.

Recognition and measurement of fixed assets and construction in progress involves significant judgement of the Management including the determination of capitalization criteria for expenditures, time point of construction in progress transferred to fixed assets and the beginning of depreciation, estimation on economic useful lives and residual value of fixed assets, etc

As the amount of carrying amount of fixed assets and construction in progress is significant, and reasonableness of judgement mentioned above has significant influence on financial statements, we have identified recognition and measurement of fixed assets and construction in progress as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for recognition and measurement of fixed assets and construction in progress are as follows:

(1) We obtained understandings of key internal controls related to fixed assets and construction in progress, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of the operation;

(2) We checked the accuracy of capitalization amount in combination with the audit of bank borrowings;

(3) We checked acceptance reports related to construction projects or project progress reports, payment documents of construction schedule payments, etc. by sampling method, and decided whether the time point of construction in progress transferred to fixed assets was reasonable;

(4) We checked information such as acceptance reports or project progress reports related to important construction projects and payment vouchers for construction progress to determine whether the point in time when construction in progress is transferred to fixed assets is reasonable;

(5) We checked purchase invoices, insurance policy of sales contracts, delivery lists etc. of fixed assets such as outsourcing machinery, and reviewed the accuracy of their costs;

(6) We obtained supporting documents related to construction in progress increased in the current period, including project application, construction loan contracts, construction contracts, invoices, purchase application for construction materials, payment bills, manufacturing agreements etc., and checked whether their costs and accounting treatment were correct;

(7) We assessed the reasonableness of economic useful lives and residual value of fixed assets estimated by the Management in combination with conditions of the industry;

(8) We checked whether information related to fixed assets and construction in progress had been presented appropriately in the financial statements.

IV. Other Information

The Management is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

VI. Certified Public Accountant's Responsibilities for the Audit of the Financial Statements

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

We exercise professional judgment and maintain professional skepticism throughout the audit performed in accordance with China Standards on Auditing. We also:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(IV) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the

Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain sole responsibility for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

II. Financial statements

The monetary unit of the financial statements is Renminbi (RMB) Yuan.

1. Consolidated balance sheet

Prepared by Zhejiang NHU Co., Ltd.

December 31, 2023

Unit: RMB Yuan

Items	December 31, 2023	January 1, 2023
Current assets:		
Cash and bank balances	4,543,361,146.98	5,343,851,967.72
Settlement funds		
Loans to other banks		
Held-for-trading financial assets	173,056,050.95	720,314,576.43
Derivative financial assets		
Notes receivable	116,125,267.70	372,641,835.79
Accounts receivable	2,483,266,952.88	2,476,269,041.23
Receivables financing	331,634,090.61	379,217,582.25
Advances paid	209,274,602.05	222,336,776.26
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance reserve receivable		
Other receivables	142,060,705.67	269,567,592.73

Items	December 31, 2023	January 1, 2023
Including: Interest receivable		
Dividend receivable		20,735,987.73
Financial assets under reverse repo		
Inventories	4,318,878,875.34	4,144,557,702.39
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	68,232,745.03	182,442,976.79
Total current assets	12,385,890,437.21	14,111,200,051.59
Non-current assets:		
Loans and advances		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	697,145,200.08	432,503,568.48
Other equity instrument investments	22,998,147.55	22,998,147.55
Other non-current financial assets		
Investment property		
Fixed assets	21,860,082,637.13	16,523,867,858.53
Construction in progress	1,621,882,507.56	5,089,233,908.22
Productive biological assets		
Oil & gas assets		
Right-of-use assets	6,603,631.56	2,830,136.37
Intangible assets	2,407,560,753.82	1,738,506,246.32
Development expenditures		
Goodwill	3,622,704.97	3,622,704.97
Long-term prepayments	11,697,961.72	13,179,878.45
Deferred tax assets	650,079.18	49,832,030.34
Other non-current assets	138,112,803.89	279,870,482.64
Total non-current assets	26,770,356,427.46	24,156,444,961.87
Total assets	39,156,246,864.67	38,267,645,013.46
Current liabilities:		
Short-term borrowings	1,235,688,062.90	1,846,373,441.01
Central bank loans		
Loans from other banks		
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable	349,347,472.36	627,438,689.79
Accounts payable	1,930,958,598.05	2,175,458,436.49
Advances received		
Contract liabilities	251,008,240.97	60,660,929.75
Financial liabilities under repo		

Items	December 31, 2023	January 1, 2023
Absorbing deposit and interbank deposit		
Deposit for agency security transaction		
Deposit for agency security underwriting		
Employee benefits payable	418,273,203.88	386,391,911.86
Taxes and rates payable	301,794,080.40	208,198,951.94
Other payables	53,671,773.90	67,351,740.34
Including: Interest payable		
Dividend payable		
Handling fee and commission payable		
Reinsurance accounts payable		
Liabilities held for sale		
Non-current liabilities due within one year	1,564,392,458.67	2,591,687,706.22
Other current liabilities	17,260,124.76	4,978,299.99
Total current liabilities	6,122,394,015.89	7,968,540,107.39
Non-current liabilities:		
Insurance policy reserve		
Long-term borrowings	6,821,643,194.58	5,273,637,508.87
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	5,240,136.43	2,822,404.07
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income	1,065,586,274.49	1,083,159,222.41
Deferred tax liabilities	221,675,090.41	277,316,677.63
Other non-current liabilities		
Total non-current liabilities	8,114,144,695.91	6,636,935,812.98
Total liabilities	14,236,538,711.80	14,605,475,920.37
Equity:		
Share capital	3,090,907,356.00	3,090,907,356.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	3,613,345,485.13	3,613,097,510.81
Less: Treasury shares	500,059,711.25	500,059,711.25
Other comprehensive income	103,920,732.85	76,577,564.17
Special reserve	60,860,818.76	26,196,894.55
Surplus reserve	1,545,453,678.00	1,444,414,900.05
General risk reserve		
Undistributed profit	16,890,233,961.50	15,823,744,811.91

Items	December 31, 2023	January 1, 2023
Total equity attributable to the parent company	24,804,662,320.99	23,574,879,326.24
Non-controlling interest	115,045,831.88	87,289,766.85
Total equity	24,919,708,152.87	23,662,169,093.09
Total liabilities & equity	39,156,246,864.67	38,267,645,013.46

Legal representative: Hu Baifan Officer in charge of accounting: Shi Guanqun Head of accounting department: Zhang Lijin

2. Parent company balance sheet

Unit: RMB Yuan

Items	December 31, 2023	January 1, 2023
Current assets:		
Cash and bank balances	2,944,073,209.24	4,202,458,431.01
Held-for-trading financial assets		200,000,000.00
Derivative financial assets		
Notes receivable	116,657,645.60	333,989,841.29
Accounts receivable	626,644,050.39	500,589,449.94
Receivables financing		
Advances paid	4,143,777.83	3,906,244.57
Other receivables	2,908,050,463.81	2,496,112,121.85
Including: Interest receivable		
Dividend receivable		20,735,987.73
Inventories	295,102,427.23	383,861,555.41
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	1,925,459.39	3,980,654.70
Total current assets	6,896,597,033.49	8,124,898,298.77
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	10,678,236,147.42	9,386,046,175.45
Other equity instrument investments	72,998,147.55	72,998,147.55
Other non-current financial assets		
Investment property		
Fixed assets	612,700,666.98	625,625,323.34
Construction in progress	71,331,975.01	2,701,423.73
Productive biological assets		
Oil & gas assets		
Right-of-use assets	2,630,791.48	2,791,860.28
Intangible assets	145,613,180.34	144,448,440.79
Development expenditures		
Goodwill		

Items	December 31, 2023	January 1, 2023
Long-term prepayments	1,165,411.93	2,614,317.07
Deferred tax assets	10,794,527.34	26,157,812.32
Other non-current assets	29,165,952.28	21,018,962.32
Total non-current assets	11,624,636,800.33	10,284,402,462.85
Total assets	18,521,233,833.82	18,409,300,761.62
Current liabilities:		
Short-term borrowings	496,760,409.72	501,525,361.11
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable	109,519,196.45	226,011,556.24
Accounts payable	115,590,089.62	107,476,196.13
Advances received		
Contract liabilities	3,836,737.57	4,296,388.78
Employee benefits payable	74,330,678.60	75,342,683.87
Taxes and rates payable	13,608,334.34	7,632,017.61
Other payables	16,876,789.87	28,936,115.08
Including: Interest payable		
Dividend payable		
Liabilities held for sale		
Non-current liabilities due within one year	687,277,786.06	1,208,306,034.83
Other current liabilities	494,804.24	558,530.54
Total current liabilities	1,518,294,826.47	2,160,084,884.19
Non-current liabilities:		
Long-term borrowings	4,350,488,292.95	3,336,304,155.58
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	2,715,619.54	2,822,404.07
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income	11,067,751.34	11,887,665.38
Deferred tax liabilities		19,080,454.36
Other non-current liabilities		
Total non-current liabilities	4,364,271,663.83	3,370,094,679.39
Total liabilities	5,882,566,490.30	5,530,179,563.58
Equity:		
Share capital	3,090,907,356.00	3,090,907,356.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	3,353,675,803.74	3,353,427,829.42
Less: Treasury shares	500,059,711.25	500,059,711.25

Items	December 31, 2023	January 1, 2023
Other comprehensive income	506,954.43	506,954.43
Special reserve	10,583,344.97	
Surplus reserve	1,545,453,678.00	1,444,414,900.05
Undistributed profit	5,137,599,917.63	5,489,923,869.39
Total equity	12,638,667,343.52	12,879,121,198.04
Total liabilities & equity	18,521,233,833.82	18,409,300,761.62

Legal representative: Hu Baifan Officer in charge of accounting: Shi Guanqun Head of accounting department: Zhang Lijin

3. Consolidated income statement

Unit: RMB Yuan

Items	Year 2023	Year 2022
I. Total operating revenue	15,116,537,003.30	15,933,984,403.41
Including: Operating revenue	15,116,537,003.30	15,933,984,403.41
Interest income		
Premiums earned		
Revenue from handling charges and commission		
II. Total operating cost	11,960,861,457.05	11,705,488,745.99
Including: Operating cost	10,131,490,375.45	10,048,300,866.94
Interest expenses		
Handling charges and commission expenditures		
Surrender value		
Net payment of insurance claims		
Net provision of insurance policy reserve		
Premium bonus expenditures		
Reinsurance expenses		
Taxes and surcharges	166,729,987.78	126,908,344.63
Selling expenses	158,316,813.86	122,257,619.47
Administrative expenses	551,072,291.99	504,674,730.69
R&D expenses	887,801,475.02	858,945,406.13
Financial expenses	65,450,512.95	44,401,778.13
Including: Interest expenses	319,906,196.30	329,243,757.49
Interest income	133,145,750.15	153,449,422.80
Add: Other income	202,088,522.53	176,863,614.19
Investment income (or less: losses)	83,054,284.94	128,695,043.73
Including: Investment income from associates and joint ventures	44,130,854.54	95,616,385.10
Gains from derecognition of financial assets at amortized cost		
Gains on foreign exchange (or less: losses)		

Items	Year 2023	Year 2022
Gains on net exposure to hedging risk (or less: losses)		
Gains on changes in fair value (or less: losses)	29,932,484.98	-66,321,783.72
Credit impairment loss	3,551,588.16	5,165,584.15
Assets impairment loss	-230,600,448.22	-162,974,265.12
Gains on asset disposal (or less: losses)	16,404,163.69	2,726,604.77
III. Operating profit (or less: losses)	3,260,106,142.33	4,312,650,455.42
Add: Non-operating revenue	7,931,135.56	4,985,224.34
Less: Non-operating expenditures	14,502,738.61	79,532,730.91
IV. Profit before tax (or less: total loss)	3,253,534,539.28	4,238,102,948.85
Less: Income tax	528,125,637.05	599,825,874.05
V. Net profit (or less: net loss)	2,725,408,902.23	3,638,277,074.80
(I) Categorized by the continuity of operations		
1. Net profit from continuing operations (or less: net loss)	2,725,408,902.23	3,638,277,074.80
2. Net profit from discontinued operations (or less: net loss)		
(II) Categorized by the portion of equity ownership		
1. Net profit attributable to owners of parent company	2,704,238,767.54	3,620,280,626.51
2. Net profit attributable to non-controlling shareholders	21,170,134.69	17,996,448.29
VI. Other comprehensive income after tax	33,929,099.01	81,425,359.82
Items attributable to the owners of the parent company	27,343,168.68	78,191,736.48
(I) Not to be reclassified subsequently to profit or loss		
1. Changes in remeasurement on the net defined benefit plan		
2. Items under equity method that will not be reclassified to profit or loss		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of own credit risk		
5. Others		
(II) To be reclassified subsequently to profit or loss	27,343,168.68	78,191,736.48
1. Items under equity method that may be reclassified to profit or loss		
2. Changes in fair value of other debt investments		
3. Profit or loss from reclassification of financial assets into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserve		
6. Translation reserve	27,343,168.68	78,191,736.48

Items	Year 2023	Year 2022
7. Others		
Items attributable to non-controlling shareholders	6,585,930.33	3,233,623.34
VII. Total comprehensive income	2,759,338,001.24	3,719,702,434.62
Items attributable to the owners of the parent company	2,731,581,936.22	3,698,472,362.99
Items attributable to non-controlling shareholders	27,756,065.02	21,230,071.63
VIII. Earnings per share (EPS):		
(I) Basic EPS (yuan per share)	0.87	1.17
(II) Diluted EPS (yuan per share)	0.87	1.17

Net profit realized by the combined party in business combination under common control before the business combination in the current period was 0.00 yuan, and net profit realized by the combined party in the previous period was 0.00 yuan.

Legal representative: Hu Baifan Officer in charge of accounting: Shi Guanqun Head of accounting department: Zang Lijin

4. Parent company income statement

Unit: RMB Yuan

Items	Year 2023	Year 2022
I. Operating revenue	2,800,974,043.80	3,476,379,206.00
Less: Operating cost	2,516,550,050.27	2,829,191,552.87
Taxes and surcharges	17,900,647.81	19,574,413.26
Selling expenses	36,688,214.04	28,148,629.89
Administrative expenses	168,615,260.60	161,807,269.66
R&D expenses	249,169,737.63	237,369,336.57
Financial expenses	74,811,854.41	45,759,173.30
Including: Interest expenses	168,273,675.71	181,258,625.13
Interest income	95,067,720.22	135,572,386.45
Add: Other income	34,542,333.84	37,002,472.86
Investment income (or less: losses)	1,549,382,083.45	1,358,265,851.90
Including: Investment income from associates and joint ventures	24,434,009.92	47,283,121.54
Gains from derecognition of financial assets at amortized cost		
Gains on net exposure to hedging risk (or less: losses)		
Gains on changes in fair value (or less: losses)		
Credit impairment loss	-33,430,454.86	44,605,400.03
Assets impairment loss	-22,771,080.59	-17,315,989.84
Gains on asset disposal (or less: losses)	14,085,495.86	-1,077,495.83
II. Operating profit (or less: losses)	1,279,046,656.74	1,576,009,069.57
Add: Non-operating revenue	2,729,472.22	88,499.41
Less: Non-operating expenditures	735,574.35	972,209.42
III. Profit before tax (or less: total loss)	1,281,040,554.61	1,575,125,359.56
Less: Income tax	-4,385,111.58	22,950,159.11

Items	Year 2023	Year 2022
IV. Net profit (or less: net loss)	1,285,425,666.19	1,552,175,200.45
(I) Net profit from continuing operations (or less: net loss)	1,285,425,666.19	1,552,175,200.45
(II) Net profit from discontinued operations (or less: net loss)		
V. Other comprehensive income after tax		
(I) Not to be reclassified subsequently to profit or loss		
1. Changes in remeasurement on the net defined benefit plan		
2. Items under equity method that will not be reclassified to profit or loss		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of own credit risk		
5. Others		
(II) To be reclassified subsequently to profit or loss		
1. Items under equity method that may be reclassified to profit or loss		
2. Changes in fair value of other debt investments		
3. Profit or loss from reclassification of financial assets into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserve		
6. Translation reserve		
7. Others		
VI. Total comprehensive income	1,285,425,666.19	1,552,175,200.45
VII. Earnings per share (EPS):		
(I) Basic EPS (yuan per share)		
(II) Diluted EPS (yuan per share)		

5. Consolidated cash flow statement

Unit: RMB Yuan

Items	Year 2023	Year 2022
I. Cash flows from operating activities:		
Cash receipts from sale of goods or rendering of services	15,114,302,982.05	15,306,568,290.22
Net increase of client deposit and interbank deposit		
Net increase of central bank loans		
Net increase of loans from other financial institutions		
Cash receipts from original insurance contract premium		
Net cash receipts from reinsurance		
Net increase of policy-holder deposit and investment		
Cash receipts from interest, handling		

charges and commission		
Net increase of loans from others		
Net increase of repurchase		
Net cash receipts from agency security transaction		
Receipts of tax refund	809,452,548.86	1,027,184,301.30
Other cash receipts related to operating activities	340,383,499.80	378,248,822.12
Subtotal of cash inflows from operating activities	16,264,139,030.71	16,712,001,413.64
Cash payments for goods purchased and services received	8,199,010,919.39	9,323,961,398.08
Net increase of loans and advances to clients		
Net increase of central bank deposit and interbank deposit		
Cash payments for insurance indemnities of original insurance contracts		
Net increase of loans to others		
Cash payments for interest, handling charges and commission		
Cash payments for policy bonus		
Cash paid to and on behalf of employees	1,857,883,629.25	1,719,618,482.00
Cash payments for taxes and rates	772,137,083.65	1,017,074,124.15
Other cash payments related to operating activities	315,736,535.10	289,866,325.80
Subtotal of cash outflows from operating activities	11,144,768,167.39	12,350,520,330.03
Net cash flows from operating activities	5,119,370,863.32	4,361,481,083.61
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments		
Cash receipts from investment income	80,104,340.27	63,324,315.46
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	39,486,013.26	35,976,834.82
Net cash receipts from the disposal of subsidiaries & other business units		
Other cash receipts related to investing activities	830,752,957.52	1,820,617,040.49
Subtotal of cash inflows from investing activities	950,343,311.05	1,919,918,190.77
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	4,445,521,671.75	4,931,891,897.26
Cash payments for investments	237,508,000.00	
Net increase of pledged borrowings		
Net cash payments for the acquisition of subsidiaries & other business units		
Other cash payments related to investing activities	145,000,000.00	827,440,207.10
Subtotal of cash outflows from investing activities	4,828,029,671.75	5,759,332,104.36
Net cash flows from investing activities	-3,877,686,360.70	-3,839,413,913.59
III. Cash flows from financing activities:		
Cash receipts from absorbing investments		

Including: Cash received by subsidiaries from non-controlling shareholders as investments		
Cash receipts from borrowings	5,996,318,716.61	6,843,969,570.73
Other cash receipts related to financing activities		11,188,800.91
Subtotal of cash inflows from financing activities	5,996,318,716.61	6,855,158,371.64
Cash payments for the repayment of borrowings	6,198,516,255.00	5,807,173,190.91
Cash payments for distribution of dividends or profits and for interest expenses	1,833,426,559.71	2,132,962,559.97
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit		
Other cash payments related to financing activities	17,387,029.07	185,017,200.07
Subtotal of cash outflows from financing activities	8,049,329,843.78	8,125,152,950.95
Net cash flows from financing activities	-2,053,011,127.17	-1,269,994,579.31
IV. Effect of foreign exchange rate changes on cash & cash equivalents	106,055,107.99	185,231,802.92
V. Net increase in cash and cash equivalents	-705,271,516.56	-562,695,606.37
Add: Opening balance of cash and cash equivalents	5,151,841,931.86	5,714,537,538.23
VI. Closing balance of cash and cash equivalents	4,446,570,415.30	5,151,841,931.86

Legal representative: Hu Baifan Officer in charge of accounting: Shi Guanqun Head of accounting department: Zang Lijin

6. Parent company cash flow statement

Unit: RMB Yuan

Items	Year 2023	Year 2022
I. Cash flows from operating activities:		
Cash receipts from sale of goods and rendering of services	2,986,881,221.91	4,244,919,158.33
Receipts of tax refund	95,053,714.28	70,396,502.88
Other cash receipts related to operating activities	141,034,122.88	184,605,407.60
Subtotal of cash inflows from operating activities	3,222,969,059.07	4,499,921,068.81
Cash payments for goods purchased and services received	2,542,919,770.85	3,081,465,686.71
Cash paid to and on behalf of employees	346,310,819.49	339,198,320.10
Cash payments for taxes and rates	13,418,034.19	103,309,425.51
Other cash payments related to operating activities	149,457,603.83	136,806,092.80
Subtotal of cash outflows from operating activities	3,052,106,228.36	3,660,779,525.12
Net cash flows from operating activities	170,862,830.71	839,141,543.69
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments		
Cash receipts from investment income	1,438,109,000.00	1,226,726,388.76
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	30,696,077.98	6,140,487.71

Items	Year 2023	Year 2022
Net cash receipts from the disposal of subsidiaries & other business units		
Other cash receipts related to investing activities	1,260,748,671.65	2,059,965,789.97
Subtotal of cash inflows from investing activities	2,729,553,749.63	3,292,832,666.44
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	144,285,480.21	62,571,723.93
Cash payments for investments	1,267,508,000.00	1,350,000,000.00
Net cash payments for the acquisition of subsidiaries & other business units		
Other cash payments related to investing activities	1,422,350,000.01	993,285,460.92
Subtotal of cash outflows from investing activities	2,834,143,480.22	2,405,857,184.85
Net cash flows from investing activities	-104,589,730.59	886,975,481.59
III. Cash flows from financing activities:		
Cash receipts from absorbing investments		
Cash receipts from borrowings	2,995,000,000.00	4,250,000,000.00
Other cash receipts related to financing activities		
Subtotal of cash inflows from financing activities	2,995,000,000.00	4,250,000,000.00
Cash payments for the repayment of borrowings	2,507,000,000.00	3,965,817,400.00
Cash payments for distribution of dividends or profits and for interest expenses	1,704,462,267.78	1,974,363,127.13
Other cash payments related to financing activities	1,690,292.10	181,401,563.42
Subtotal of cash outflows from financing activities	4,213,152,559.88	6,121,582,090.55
Net cash flows from financing activities	-1,218,152,559.88	-1,871,582,090.55
IV. Effect of foreign exchange rate changes on cash and cash equivalents	848,445.34	7,950,387.71
V. Net increase in cash and cash equivalents	-1,151,031,014.42	-137,514,677.56
Add: Opening balance of cash and cash equivalents	4,054,348,356.27	4,191,863,033.83
VI. Closing balance of cash and cash equivalents	2,903,317,341.85	4,054,348,356.27

7. Consolidated statement of changes in equity

Current period cumulative

Unit: RMB Yuan

Items	Year 2023														
	Equity attributable to parent company												Non-controlling interest	Total equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others			Subtotal
	Preferred shares	Perpetual bonds	Others												
I. Balance at the end of prior year	3,090,907,356.00				3,613,097,510.81	500,059,711.25	76,577,564.17	26,196,894.55	1,444,414,900.05		15,823,744,811.91		23,574,879,326.24	87,289,766.85	23,662,169,093.09
Add: Cumulative changes of accounting policies															
Error correction of prior period															
Others															
II. Balance at the beginning of current year	3,090,907,356.00				3,613,097,510.81	500,059,711.25	76,577,564.17	26,196,894.55	1,444,414,900.05		15,823,744,811.91		23,574,879,326.24	87,289,766.85	23,662,169,093.09
III. Current period increase (or less: decrease)					247,974.32		27,343,168.68	34,663,924.21	101,038,777.95		1,066,489,149.59		1,229,782,994.75	27,756,065.03	1,257,539,059.78
(I) Total comprehensive income							27,343,168.68				2,704,238,767.54		2,731,581,936.22	27,756,065.03	2,759,338,001.25
(II) Capital contributed or withdrawn by owners															
1. Ordinary shares contributed by owners															
2. Capital contributed by holders of other equity instruments															
3. Amount of share-based payment included in equity															
4. Others															
(III) Profit distribution									101,038,777.95		-1,637,749,617.95		-1,536,710,840.00		-1,536,710,840.00
1. Appropriation of surplus reserve									101,038,777.95		-101,038,777.95				
2. Appropriation of general risk reserve															
3. Appropriation of profit to owners											-1,536,710,840.00		-1,536,710,840.00		-1,536,710,840.00
4. Others															
(IV) Internal carry-over within equity															
1. Transfer of capital reserve to capital															
2. Transfer of surplus reserve to capital															

Items	Year 2023														
	Equity attributable to parent company													Non-controlling interest	Total equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Subtotal		
	Preferred shares	Perpetual bonds	Others												
3. Surplus reserve to cover losses															
4. Changes in defined benefit plan carried over to retained earnings															
5. Other comprehensive income carried over to retained earnings															
6. Others															
(V) Special reserve								34,663,924.21					34,663,924.21	34,663,924.21	
1. Appropriation of current period								85,571,248.53					85,571,248.53	85,571,248.53	
2. Application of current period								-50,907,324.32					-50,907,324.32	-50,907,324.32	
(VI) Others					247,974.32								247,974.32	247,974.32	
IV. Balance at the end of current period	3,090,907,356.00				3,613,345,485.13	500,059,711.25	103,920,732.85	60,860,818.76	1,545,453,678.00		16,890,233,961.50		24,804,662,320.99	115,045,831.88	24,919,708,152.87

Preceding period comparative

Unit: RMB Yuan

Items	Year 2022														
	Equity attributable to parent company													Non-controlling interest	Total equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Subtotal		
	Preferred shares	Perpetual bonds	Others												
I. Balance at the end of prior year	2,578,394,760.00				4,121,063,080.96	320,360,784.48	-1,614,172.31	12,692,218.51	1,289,197,380.00		14,152,465,528.17		21,831,838,010.85	63,730,851.41	21,895,568,862.26
Add: Cumulative changes of accounting policies											10,266.08		10,266.08		10,266.08
Error correction of prior period															
Others															
II. Balance at the beginning of current year	2,578,394,760.00				4,121,063,080.96	320,360,784.48	-1,614,172.31	12,692,218.51	1,289,197,380.00		14,152,475,794.25		21,831,848,276.93	63,730,851.41	21,895,579,128.34
III. Current period increase (or less: decrease)	512,512,596.00				-507,965,570.15	179,698,926.77	78,191,736.48	13,504,676.04	155,217,520.05		1,671,269,017.66		1,743,031,049.31	23,558,915.44	1,766,589,964.75
(I) Total comprehensive income							78,191,736.48				3,620,280,626.51		3,698,472,362.99	21,230,071.63	3,719,702,434.62
(II) Capital contributed or withdrawn by owners						179,698,926.77							-179,698,926.77	2,328,843.81	-177,370,082.96
1. Ordinary shares contributed by owners															
2. Capital contributed by holders of other equity instruments															

Items	Year 2022															
	Equity attributable to parent company														Non-controlling interest	Total equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Subtotal			
	Preferred shares	Perpetual bonds	Others													
3. Amount of share-based payment included in equity																
4. Others						179,698,926.77							-179,698,926.77	2,328,843.81	-177,370,082.96	
(III) Profit distribution									155,217,520.05		-1,949,011,608.85		-1,793,794,088.80		-1,793,794,088.80	
1. Appropriation of surplus reserve									155,217,520.05		-155,217,520.05					
2. Appropriation of general risk reserve																
3. Appropriation of profit to owners													-1,793,794,088.80	-1,793,794,088.80	-1,793,794,088.80	
4. Others																
(IV) Internal carry-over within equity	512,512,596.00				-512,512,596.00											
1. Transfer of capital reserve to capital	512,512,596.00				-512,512,596.00											
2. Transfer of surplus reserve to capital																
3. Surplus reserve to cover losses																
4. Changes in defined benefit plan carried over to retained earnings																
5. Other comprehensive income carried over to retained earnings																
6. Others																
(V) Special reserve									13,504,676.04					13,504,676.04	13,504,676.04	
1. Appropriation of current period									31,988,381.60					31,988,381.60	31,988,381.60	
2. Application of current period									-					-18,483,705.56	-18,483,705.56	
(VI) Others					4,547,025.85									4,547,025.85	4,547,025.85	
IV. Balance at the end of current period	3,090,907,356.00				3,613,097,510.81	500,059,711.25	76,577,564.17	26,196,894.55	1,444,414,900.05		15,823,744,811.91		23,574,879,326.24	87,289,766.85	23,662,169,093.09	

8. Parent company statements of changes in equity

Current period cumulative

Unit: RMB Yuan

Items	Year 2023											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total equity
		Preferred shares	Perpetual bonds	Others								
I. Balance at the end of prior year	3,090,907,356.00				3,353,427,829.42	500,059,711.25	506,954.43		1,444,414,900.05	5,489,923,869.39		12,879,121,198.04
Add: Cumulative changes of accounting policies												
Error correction of prior period												
Others												
II. Balance at the beginning of current year	3,090,907,356.00				3,353,427,829.42	500,059,711.25	506,954.43		1,444,414,900.05	5,489,923,869.39		12,879,121,198.04
III. Current period increase (or less: decrease)					247,974.32			10,583,344.97	101,038,777.95	-352,323,951.76		-240,453,854.52
(I) Total comprehensive income										1,285,425,666.19		1,285,425,666.19
(II) Capital contributed or withdrawn by owners												
1. Ordinary shares contributed by owners												
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payment included in equity												
4. Others												
(III) Profit distribution									101,038,777.95	-		-1,536,710,840.00
1. Appropriation of surplus reserve									101,038,777.95	-101,038,777.95		
2. Appropriation of profit to owners										1,536,710,840.00		-1,536,710,840.00
3. Others												
(IV) Internal carry-over within equity												
1. Transfer of capital reserve to capital												
2. Transfer of surplus reserve to capital												
3. Surplus reserve to cover losses												
4. Changes in defined benefit plan carried over to retained earnings												
5. Other comprehensive income carried over to retained earnings												
6. Others												
(V) Special reserve								10,583,344.97				10,583,344.97
1. Appropriation of current period								12,377,758.42				12,377,758.42
2. Application of current period								-1,794,413.45				-1,794,413.45
(VI) Others					247,974.32							247,974.32
IV. Balance at the end of current period	3,090,907,356.00				3,353,675,803.74	500,059,711.25	506,954.43	10,583,344.97	1,545,453,678.00	5,137,599,917.63		12,638,667,343.52

Preceding period comparative

Unit: RMB Yuan

Items	Year 2022											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total equity
		Preferred shares	Perpetual bonds	Others								
I. Balance at the end of prior year	2,578,394,760.00				3,861,393,399.57	320,360,784.48	506,954.43		1,289,197,380.00	5,886,750,011.71		13,295,881,721.23
Add: Cumulative changes of accounting policies										10,266.08		10,266.08
Error correction of prior period												
Others												
II. Balance at the beginning of current year	2,578,394,760.00				3,861,393,399.57	320,360,784.48	506,954.43		1,289,197,380.00	5,886,760,277.79		13,295,891,987.31
III. Current period increase (or less: decrease)	512,512,596.00				-507,965,570.15	179,698,926.77			155,217,520.05	-396,836,408.40		-416,770,789.27
(I) Total comprehensive income										1,552,175,200.45		1,552,175,200.45
(II) Capital contributed or withdrawn by owners						179,698,926.77						-179,698,926.77
1. Ordinary shares contributed by owners												
2. Capital contributed by holders of other equity instruments												
3. Amount of share-based payment included in equity												
4. Others						179,698,926.77						-179,698,926.77
(III) Profit distribution									155,217,520.05	-		-1,793,794,088.80
1. Appropriation of surplus reserve									155,217,520.05	-155,217,520.05		
2. Appropriation of profit to owners										1,793,794,088.80		-1,793,794,088.80
3. Others												
(IV) Internal carry-over within equity	512,512,596.00				-512,512,596.00							
1. Transfer of capital reserve to capital												
2. Transfer of surplus reserve to capital	512,512,596.00				-512,512,596.00							
3. Surplus reserve to cover losses												
4. Changes in defined benefit plan carried over to retained earnings												
5. Other comprehensive income carried over to retained earnings												
6. Others												
(V) Special reserve												
1. Appropriation of current period												
2. Application of current period												
(VI) Others					4,547,025.85							4,547,025.85
IV. Balance at the end of current period	3,090,907,356.00				3,353,427,829.42	500,059,711.25	506,954.43		1,444,414,900.05	5,489,923,869.39		12,879,121,198.04

III. Company profile

Zhejiang NHU Co., Ltd. (the “Company”) was jointly established by Xinchang County Synthetic Chemical Plant, renamed as NHU Holding Group Co., Ltd. on November 17, 2009) and 9 natural persons including Zhang Pingyi, Yuan Yizhong, Shi Cheng, Hu Baishan, Shi Guanqun, Wang Xuewen, Shi Sanfu, Cui Xinrong, and Wang Xulin under the document of approval numbered Zhe Zheng Wei [1999] 9 issued by the former Securities Commission of the People’s Government of Zhejiang Province. Headquartered in Shaoxing City, Zhejiang Province, the Company was registered at Zhejiang Administration for Industry and Commerce on April 5, 1999. Currently, the Company holds a business license with unified social credit code of 91330000712560575G, with registered capital of 3,090,907,356.00 yuan, total share of 3,090,907,356 shares (each with par value of one yuan), of which, 36,374,202 shares are restricted outstanding shares, and 3,054,533,154 shares are unrestricted outstanding shares. The Company’s shares were listed on Shenzhen Stock Exchange on June 25, 2004.

The Company belongs to pharmaceutical manufacturing industry and is mainly engaged in manufacturing and sales of nutrition, flavor and fragrance, and new polymer materials. The Company’s main products are nutrition, flavor and fragrance, and new polymer materials.

The financial statements were approved and authorized for issue by the Third meeting of the Ninth session of the Board of Directors dated April 19 2024.

IV. Preparation basis of the financial statements

1. Preparation basis

The financial statements have been prepared on the basis of going concern.

2. The ability to continue as a going concern

The Company has no events or conditions that may cast significant doubts upon the Company’s ability to continue as a going concern within the 12 months after the balance sheet date.

V. Significant accounting policies and estimates

Note to specific accounting policies and estimates: The Company has set up accounting policies and estimates on transactions or events such as impairment of financial instruments, depreciation of fixed assets, depreciation of right-of-use assets, amortization of intangible assets, and revenue recognition, etc. based on the Company’s actual production and operation features.

1. Statement of compliance

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, results of operations and cash flows of the Company.

2. Accounting period

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

3. Operating cycle

Except for the real estate industry, the Company has a relatively short operating cycle for its business, an asset or a liability is classified

as current if it is expected to be realized or due within 12 months. The operating cycle for real estate industry starts from the development of property and ends at sales, which normally extends over 12 months and is subject to specific projects, therefore, an asset or a liability is classified as current if it is expected to be realized or due within such operating cycle.

4. Functional currency

The functional currency of the Company and its domestic subsidiaries is Renminbi (RMB) Yuan, while the functional currency of subsidiaries engaged in overseas operations including NHU (Hong Kong) Trading Co., Ltd., NHU Europe GmbH and NHU Singapore PTE. LTD., NHU/CHR. OLESEN LATIN AMERICA A/S is the currency of the primary economic environment in which they operate.

5. Methodology for determining materiality criteria and basis for selection

applicable Not applicable

Items	Importance Criteria
Significant write-offs of receivables	0.5% of total assets
Significant prepayments aged over 1 year	0.5% of total assets
Significant construction projects in progress	0.5% of total assets
Significant accounts payable aged over 1 year	0.5% of total assets
Significant other accounts payable aged over 1 year	0.5% of total assets
Significant contractual liabilities older than 1 year	0.5% of total assets
Significant cash flows from investing activities	10.00% of total assets
Significant offshore operating entities	The Company identifies overseas operating entities whose total assets/total revenues/total profits exceed 15% of the Group's total assets/total revenues/total profits as significant overseas operating entities
Significant capitalized R&D projects, outsourced R&D projects	0.5% of total assets
Significant subsidiaries, non-wholly owned subsidiaries	The Company identifies subsidiaries with total assets/total revenues/total profits exceeding 15% of the Group's total assets/total revenues/total profits as important subsidiaries, important non-wholly owned subsidiaries
Significant Joint Ventures, Associates, Co-Operations	The company identifies joint ventures, associates, and joint operations whose total assets/total revenues/total profits exceed 15% of the group's total assets/total revenues/total profits as significant joint ventures, associates, and joint operations

6、Accounting treatments of business combination under and not under common control

1. Accounting treatment of business combination under common control

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

7. Criteria for judging control and preparation of consolidated financial statements

1. Controlled judgment

A parent company is recognized as controlling if it has power over the investee, enjoys variable returns through participation in the investee's relevant activities, and has the ability to use its power over the investee to affect the amount of its variable returns.

2. Compilation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into the consolidation scope. The consolidated financial statements are compiled by the parent company according to "CASBE 33 – Consolidated Financial Statements", based on relevant information and the financial statements of the parent company and its subsidiaries.

8. Classification of joint venture arrangements and accounting treatment of joint operations

1. Joint arrangements are categorized as joint operations and joint ventures.

2. When the company is a joint venture partner in a joint operation, the following items related to the share of interest in the joint operation are recognized:

- (1) Recognize assets held separately and assets held jointly in proportion to the share held;
- (2) Recognize liabilities assumed individually, and liabilities assumed jointly in proportion to the share held;
- (3) Recognize revenues from the sale of the company's share of joint operating outputs;
- (4) Recognize income from joint operations arising from the sale of assets based on the company's share of ownership;
- (5) Recognition of expenses incurred individually, as well as expenses incurred by the joint operation based on the company's share of ownership.

9. Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

10. Foreign currency translation

1. Translation of transactions denominated in foreign currency

Transactions denominated in foreign currency are translated into RMB yuan at the approximate exchange rate similar to the spot exchange rate at the transaction date at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in profit or loss; non-cash items carried at historical costs are translated at the approximate exchange rate similar to the spot exchange rate at the transaction date, with the RMB amounts unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined, with difference included in profit or loss or other comprehensive income.

2. Translation of financial statements measured in foreign currency

The assets and liabilities in the balance sheet are translated into RMB at the spot rate at the balance sheet date; the equity items, other than undistributed profit, are translated at the spot rate at the transaction date; the revenues and expenses in the income statement are

translated into RMB at the approximate exchange rate similar to the spot exchange rate at the transaction date. The difference arising from the aforementioned foreign currency translation is included in other comprehensive income.

11. Financial instruments

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following three categories when initially recognized: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

Financial liabilities are classified into the following four categories when initially recognized: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (3) financial guarantee contracts not fall within the above categories (1) and (2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category (1); (4) financial liabilities at amortized cost.

2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities

(1) Recognition criteria and measurement method of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount. However, at initial recognition, for accounts receivable that do not contain a significant financing component or in circumstances where the Company does not consider the financing components in contracts within one year, the Company measures the transaction price in accordance with “CASBE 14 – Revenues”.

(2) Subsequent measurement of financial assets

1) Financial assets measured at amortized cost

The Company measures its financial assets at the amortized costs using effective interest method. Gains or losses on financial assets that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial assets are derecognized, reclassified, amortized using effective interest method or recognized with impairment loss.

2) Debt instrument investments at fair value through other comprehensive income

The Company measures its debt instrument investments at fair value. Interests, impairment gains or losses, and gains and losses on foreign exchange that calculated using effective interest method shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into profit or loss when the financial assets are derecognized.

3) Equity instrument investments at fair value through other comprehensive income

The Company measures its equity instrument investments at fair value. Dividends obtained (other than those as part of investment cost recovery) shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated

gains or losses that initially recognized as other comprehensive income should be transferred out into retained earnings when the financial assets are derecognized.

4) Financial assets at fair value through profit or loss

The Company measures its financial assets at fair value. Gains or losses arising from changes in fair value (including interests and dividends) shall be included into profit or loss, except for financial assets that are part of hedging relationships.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities (including derivatives that are liabilities) and financial liabilities designated as at fair value through profit or loss. The Company measures such kind of liabilities at fair value. The amount of changes in the fair value of the financial liabilities that are attributable to changes in the Company's own credit risk shall be included into other comprehensive income, unless such treatment would create or enlarge accounting mismatches in profit or loss. Other gains or losses on those financial liabilities (including interests, changes in fair value that are attributable to reasons other than changes in the Company's own credit risk) shall be included into profit or loss, except for financial liabilities that are part of hedging relationships. Accumulated gains or losses that originally recognized as other comprehensive income should be transferred out into retained earnings when the financial liabilities are derecognized.

2) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies

The Company measures its financial liabilities in accordance with "CASBE 23 – Transfer of Financial Assets".

3) Financial guarantee contracts not fall within the above categories 1) and 2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category 1)

The Company measures its financial liabilities at the higher of: a. the amount of loss allowances in accordance with impairment requirements of financial instruments; b. the amount initially recognized less the amount of accumulated amortization recognized in accordance with "CASBE 14 – Revenues".

4) Financial liabilities at amortized cost

The Company measures its financial liabilities at amortized cost using effective interest method. Gains or losses on financial liabilities that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial liabilities are derecognized and amortized using effective interest method.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

a. the contractual rights to the cash flows from the financial assets expire; or

b. the financial assets have been transferred and the transfer qualifies for derecognition in accordance with "CASBE 23 – Transfer of Financial Assets".

2) Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

3. Recognition criteria and measurement method of financial assets transfer

Where the Company has transferred substantially all of the risks and rewards related to the ownership of the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability. If it retained substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset. Where the Company does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the Company does not retain its control over the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability; (2) if the Company retains its control over the financial asset, according to the extent of its continuing involvement in the transferred financial asset, it recognizes the related financial asset and recognizes the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items is included in profit or loss: (1) the carrying amount of the transferred financial asset as of the date of derecognition; (2) the sum of consideration received from the transfer of the financial asset, and the accumulative amount of the changes of the fair value originally included in other comprehensive income proportionate to the transferred financial asset (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income). If the transfer of financial asset partially satisfies the conditions to derecognition, the entire carrying amount of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items is included into profit or loss: (1) the carrying amount of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in other comprehensive income which is corresponding to the portion which is derecognized (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income).

4. Fair value determination method of financial assets and liabilities

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data and information are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

(1) Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date.

(2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;

(3) Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfill the disposal obligation assumed in business combination, financial forecast developed using the Company's own data, etc.

5. Impairment of financial instruments

(1) Measurement and accounting treatment

The Company, on the basis of expected credit loss, recognizes loss allowances of financial assets at amortized cost, debt instrument investments at fair value through other comprehensive income, contract assets, leases receivable, loan commitments other than financial liabilities at fair value through profit or loss, financial guarantee contracts not belong to financial liabilities at fair value through profit or loss or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Expected credit losses refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Among which, purchased or originated credit-impaired financial assets are discounted at the credit-adjusted effective interest rate.

At the balance sheet date, the Company shall only recognize the cumulative changes in the lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

For leases receivable, and accounts receivable and contract assets resulting from transactions regulated in "CASBE 14 – Revenues", the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For financial assets other than the above, on each balance sheet date, the Company shall assess whether the credit risk on the financial instrument has increased significantly since initial recognition. The Company shall measure the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition; otherwise, the Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

Considering reasonable and supportable forward-looking information, the Company compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition, so as to assess whether the credit risk on the financial instrument has increased significantly since initial recognition.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have relatively low credit risk at the balance sheet date.

The Company shall estimate expected credit risk and measure expected credit losses on an individual or a collective basis. When the Company adopts the collective basis, financial instruments are grouped with similar credit risk features.

The Company shall remeasure expected credit loss on each balance sheet date, and increased or reversed amounts of loss allowance arising therefrom shall be included into profit or loss as impairment losses or gains. For a financial asset measured at amortized cost, the loss allowance reduces the carrying amount of such financial asset presented in the balance sheet; for a debt investment measured

at fair value through other comprehensive income, the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of such financial asset.

6. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other. However, the company presents them in the balance sheet at the net amount after offsetting each other if the following conditions are simultaneously met: (1) the company has a legal right to offset the recognized amount and such legal right is currently enforceable; (2) the company plans to settle the net amount, or to realize the financial asset and settle the financial liability at the same time.

For transfers of financial assets that do not meet the conditions for derecognition, the company does not offset the transferred financial assets and related liabilities.

12. Criteria for recognizing and providing for expected credit losses on receivables

1. Receivables with expected credit losses based on a combination of credit risk characteristics

Portfolio Type	Basis for determining the portfolio	Methodology for measuring expected credit losses
Bankers' acceptances receivable	Type of notes	Expected credit losses are calculated by reference to historical credit loss experience, taking into account current conditions and projections of future economic conditions, through default exposures and expected credit loss rates over the entire duration
Commercial acceptances receivable		
Accounts receivable – Portfolio grouped with ages	Age of accounts	Prepare a table of accounts receivable aging versus expected credit loss rates to calculate expected credit losses, taking into account historical credit loss experience, current conditions and projections of future economic conditions
Other receivables - export tax refund receivable portfolio	Nature of receivables	Expected credit losses are calculated by reference to historical credit loss experience, taking into account current conditions as well as projections of future economic conditions, through default exposures and expected credit loss rates within the next 12 months or over the entire life span
Other receivables - VAT refund receivable portfolio		
Other receivables - land bond receivable portfolio		
Other receivables - portfolio of security deposits receivable from customs and tax authorities		
Other receivables - ageing portfolio	Age of accounts	Calculate expected credit losses by reference to historical credit loss experience and by preparing a table of the ageing of other receivables against the expected credit loss rate, taking into account current conditions and projections of future economic conditions

2. Accounts receivable – comparison table of ages and lifetime expected credit loss rate of portfolio grouped with ages

Ages	Accounts Receivable Expected credit loss ratio (%)	Other receivables Expected credit loss ratio (%)
Within 1 year (inclusive, the same hereinafter)	5.00	5.00
1-2 years	20.00	20.00
2-3 years	80.00	80.00
Over 3 years	100.00	100.00

The ageing of accounts receivable/other receivables is calculated from the month in which the amounts are actually incurred.

3. Criteria for identifying receivables for which expected credit losses are provided on an individual basis

For receivables and contract assets with credit risk significantly different from that of the portfolio, the Company accrues expected credit losses on an individual basis.

13. Inventories

1. Classification of inventories

Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, materials or supplies, etc. to be consumed in the production process or in the rendering of services.

2. Accounting method for dispatching inventories:

- (1) Inventories other than development products are issued using the month-end lump-sum weighted-average method.
- (2) When a project is developed, the land used for development is included in the development cost of the project by calculating the apportionment based on the floor area of the development products.
- (3) Issuance of similar development products is accounted for by the average floor area method.
- (4) If the public ancillary facilities are completed earlier than the relevant development products, after the public ancillary facilities are completed and finalized, they are allocated to the development costs of the relevant development projects according to the budgeted costs of the relevant development projects; if the public ancillary facilities are completed later than the relevant development products, the public ancillary facilities fees are first withheld from the relevant development products, and then adjusted according to the difference between the actual number of fees incurred and the number of fees withdrawn after the completion and finalization of the public ancillary facilities. If the public facilities are later than the completion of the relevant development products, the public facilities fees will be withheld by the relevant development products first, and the difference between the actual amount incurred and the amount withheld will be adjusted according to the final account after the completion of the public facilities.

3. Inventory system

Perpetual inventory method is adopted.

4. Amortization method of low-value consumables and packages

(1) Low-value consumables

Low-value consumables are amortized with one-off method.

(2) Packages

Packages are amortized with one-off method.

5. Criteria for recognizing and providing for provision for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost or net realizable value, and provision for decline in value of inventories is made for the difference between cost and net realizable value. The net realizable value of inventories used directly for sale is determined in the normal course of production and operation by the estimated selling price of the inventories less estimated selling expenses and related taxes; the net realizable value of inventories requiring processing is determined in the normal course of production and operation by the estimated selling price of the finished goods produced less estimated costs to be incurred up to the time of completion, estimated selling expenses and related taxes; At the balance sheet date, if there is a contract price agreed for one

part of the same inventory and no contract price exists for the other part, the net realizable value is determined separately and compared with its corresponding cost, and the amount of provision or reversal of allowance for decline in value of inventories is determined separately.

14 Long-term equity investments

1. Judgment of joint control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

2. Determination of investment cost

(1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investments and the carrying amount of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When long-term equity investments are obtained through business combination under common control achieved in stages, the Company determines whether it is a “bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, on the date of combination, investment cost is initially recognized at the share of the carrying amount of net assets of the combined party included the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost of long-term equity investments at the acquisition date and the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

(2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

When long-term equity investments are obtained through business combination not under common control achieved in stages, the Company determined whether they are stand-alone financial statements or consolidated financial statements in accounting treatment:

1) In the case of stand-alone financial statements, investment cost is initially recognized at the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity.

2) In the case of consolidated financial statements, the Company determines whether it is a “bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, the carrying amount of the acquirer’s previously held equity interest in the acquiree is remeasured at the acquisition-date fair value, and the difference between the fair value and the carrying amount is recognized in investment income; when the acquirer’s previously held equity interest in the acquiree involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or assets from remeasurement of defined benefit plan of the acquiree.

(3) Long-term equity investments obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to "CASBE 12 – Debt Restructuring"; and that obtained through non-cash assets exchange is determined according to "CASBE 7 – Non-cash Assets Exchange"

3. Subsequent measurement and recognition method of profit or loss

For long-term equity investments with control relationship, it is accounted for with cost method; for long-term equity investments with joint control or significant influence relationship, it is accounted for with equity method.

4. Disposal of a subsidiary in stages resulting in the Company's loss of control

(1) Principles for determining whether or not a transaction is a "package deal"

In the case of a step-by-step disposal of equity investments in subsidiaries through multiple transactions until loss of control, the Company determines whether a step-by-step transaction is a "package deal" by taking into account the terms and conditions of the transaction agreement for each step of the step-by-step transaction, the respective disposal consideration, the target of the disposal, the method of disposal, and the point of time of the disposal, among other information. If the terms, conditions and economic impacts of each transaction meet one or more of the following conditions, it is generally recognized that multiple transactions are "package deals":

- 1) The transactions are entered into at the same time or in consideration of the effects of each other;
- 2) The transactions as a whole achieve a complete business result;
- 3) the occurrence of one transaction is dependent on the occurrence of at least one other transaction;
- 4) a transaction is uneconomic when viewed in isolation, but is economic when considered in conjunction with other transactions.

(2) Accounting treatment for transactions that are not "package deals"

1) Individual financial statements

For equity interests disposed of, the difference between the book value and the actual acquisition price is recognized in profit or loss for the current period. For the remaining equity interest, if it still has significant influence over the investee unit or exercises joint control with other parties, it is transferred to the equity method of accounting; if it can no longer exercise control, joint control or significant influence over the investee unit, it is accounted for in accordance with the relevant provisions of "Accounting Standard for Business Enterprises (ASBE) No. 22 - Recognition and Measurement of Financial Instruments".

2) Consolidated financial statements

Prior to the loss of control, the difference between the disposal price and the disposal long-term equity investment's corresponding share of the subsidiary's net assets calculated on a continuous basis from the date of purchase or the date of consolidation is adjusted to capital surplus (capital premium), and if capital premium is not sufficient to be eliminated, it is eliminated to retained earnings.

Upon loss of control over Atomics, the remaining equity interest is remeasured at its fair value at the date of loss of control. The difference between the sum of the consideration obtained from the disposal of the equity interest and the fair value of the remaining equity interest, less the share of the original subsidiary's net assets continuously measured from the date of purchase or the date of consolidation based on the original shareholding ratio, is recognized as investment income in the period in which control is lost, and goodwill is also eliminated. Other comprehensive income, such as other comprehensive income related to equity investments in the original subsidiaries, should be transferred to investment income in the current period when control is lost. .

(3) Accounting treatment of "package transactions"

1) Individual financial statements

Each transaction is accounted for as a disposal of a subsidiary and loss of control. However, the difference between the disposal price and the carrying value of the long-term equity investment corresponding to the disposal of the investment in each case before the loss of control is recognized as other comprehensive income in the individual financial statements and transferred to profit or loss in the period of the loss of control when the loss of control occurs.

2) Consolidated financial statements

Each transaction is accounted for as a disposal of a subsidiary and loss of control. However, the difference between the disposal price and the share of the net assets of the subsidiary corresponding to the disposal of the investment in each case before the loss of control is recognized as other comprehensive income in the consolidated financial statements and transferred to profit or loss in the period of loss of control when the control is lost.

15. Fixed assets

(1) Recognition principles

Fixed assets are tangible assets held for use in the production of goods or rendering of services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

(2) Depreciation method

Categories	Depreciation method	Useful life (years)	Residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	7-70	5	13.57-1.36
General equipment	Straight-line method	5-10	5	19.00-9.50
Special equipment	Straight-line method	5-15	5	19.00-6.33
Transport facilities	Straight-line method	5-7	5	19.00-13.57

16. Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.

2. Construction in progress is transferred into fixed assets at its actual cost when it reaches the designed usable conditions. When the auditing of the construction in progress was not finished while reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

Categories	Standards and timing for transferring construction in progress to fixed assets
Buildings and structures	Construction works reach the state of intended use from the date of reaching the state of intended use
General equipment	After installation and commissioning to meet the design requirements or contractual standards
Special equipment	After installation and commissioning to meet the design requirements or contractual standards

17. Borrowing costs

1. Recognition principle of borrowing costs capitalization

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it is capitalized and included in the costs of relevant assets; other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in profit or loss.

2. Borrowing costs capitalization period

(1) The borrowing costs are not capitalized unless the following requirements are all met: 1) the asset disbursements have already incurred; 2) the borrowing costs have already incurred; and 3) the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) Suspension of capitalization: where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.

(3) Ceasing of capitalization: when the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.

3. Capitalization rate and capitalized amount of borrowing costs

For borrowings exclusively for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests is determined in light of the actual interest expenses incurred (including amortization of premium or discount based on effective interest method) of the special borrowings in the current period less the interest income on the unused borrowings as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements less the general borrowing by the capitalization rate of the general borrowing used.

18. Intangible assets

(1) Measurement method, useful lives and impairment test

1. Intangible assets include land use right, patent right, non-patented technology, etc. The initial measurement of intangible assets is based on its cost.

2. For intangible assets with finite useful lives, their amortization amounts are amortized within their useful lives systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Useful life and the basis for its determination	Amortization method
Land use right	50,70,(Based on the number of years contained in the warrants)	linear method
Software	10,(Based on projected years of benefit)	linear method
Patent right	10, (Based on projected years of benefit)	linear method
Non-patented technology	15, (Based on projected years of benefit)	linear method

(2) Accounting policies on internal R&D expenditures

(1) Personnel labor costs

Personnel labor costs include salaries and wages, basic pension insurance premiums, basic medical insurance premiums, unemployment insurance premiums, work-related injury insurance premiums, maternity insurance premiums and housing fund of the Company's research and development personnel, as well as labor costs of external research and development personnel.

Where research and development personnel serve on multiple research and development projects at the same time, the recognition of labor costs is based on the records of hours worked by the research and development personnel of each research and development project provided by the management of the Company, which are allocated proportionately among the different research and development projects.

Where personnel directly engaged in research and development activities and external research and development personnel are simultaneously engaged in non-research and development activities, the Company allocates the personnel labor costs actually incurred by the research and development personnel between research and development expenses and production and operating expenses based on the records of their working hours in different positions, in accordance with the proportion of their actual working hours and other reasonable methods.

(2) Direct input costs

Direct input costs refer to the relevant expenditures actually incurred by the Company for the implementation of research and development activities. It includes: 1) directly consumed materials, fuel and power costs; 2) the development and manufacturing costs of molds and process equipment used for intermediate tests and product trial production, the purchase costs of samples, prototypes and general testing means that do not constitute fixed assets, and the inspection costs of trial products; and 3) the costs of operating and maintaining, adjusting, inspecting, testing and repairing instruments and equipment used for research and development activities.

(3) Depreciation expense and long-term amortization expense

Depreciation expense refers to the depreciation of instruments, equipment and buildings in use used in research and development activities.

If instruments, equipment and buildings in use are used for research and development activities and are also used for non-research and development activities, necessary records are kept of the use of such instruments, equipment and buildings in use, and the depreciation expense actually incurred is allocated between research and development expenses and production and operating expenses using a reasonable method based on factors such as actual man-hours worked and square footage of space utilized.

Long-term amortized expenses are long-term amortized expenses incurred in the course of alteration, modification, renovation and repair of research and development facilities, which are summarized on the basis of actual expenditures and amortized equally over a specified period of time.

(4) Amortization expense of intangible assets

Amortization expense of intangible assets is the amortization expense of software, intellectual property, and non-patented technologies (know-how, licenses, designs and calculation methods, etc.) used in research and development activities.

(5) Design costs

Design expenses are expenses incurred for the conception, development and manufacture of new products and processes, design of processes, technical specifications, formulation of protocols, operational characteristics, etc., including expenses related to creative design activities for obtaining innovative, creative and breakthrough products.

(6) Equipment debugging costs and test costs

Equipment debugging costs are costs incurred for research and development activities in the process of preparing workpieces, including costs incurred for activities such as the development of special, specialized production machines, changes in production and quality control procedures, or the development of new methods and standards.

Costs incurred for routine tooling preparation and industrial engineering for mass production and commercialization are not included in the scope of collection.

(7) Commissioned external research and development costs

Entrusted external research and development expenses are expenses incurred by the Company for research and development activities entrusted to other organizations or individuals inside or outside the country (the results of the research and development activities are owned by the Company and are closely related to the Company's main business operations).

(8) Other expenses

Other expenses refer to expenses other than those mentioned above that are directly related to research and development activities, including technical library and data fees, data translation fees, expert consultation fees, insurance fees for high-tech research and development, search, demonstration, evaluation, appraisal and acceptance fees for research and development results, application fees, registration fees and agency fees for intellectual property rights, meeting fees, travel fees and communication fees.

4. Expenditures on the research phase of an internal project are recognized as profit or loss when they are incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the followings: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits, among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

19. Impairment of part of long-term assets

For long-term assets such as long-term equity investments, fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is to be estimated. For goodwill recognized in business combination and intangible assets with indefinite useful lives, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related asset group or asset group portfolio.

When the recoverable amount of such long-term assets is lower than their carrying amount, the difference is recognized as provision for assets impairment through profit or loss.

20. Long-term prepayments

Long-term prepayments are expenses that have been recognized but with amortization period over one year (excluding one year). They are recorded with actual cost, and evenly amortized within the beneficiary period or stipulated period. If items of long-term prepayments fail to be beneficial to the following accounting periods, residual values of such items are included in profit or loss.

21. Employee benefits

(1) Short-term employee benefits

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

(2) Post-employment benefits

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans.

(1) The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.

(2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:

1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. Meanwhile, the Company discounts obligations under the defined benefit plan to determine the present value of the defined benefit plan obligations and the current service cost;

2) When a defined benefit plan has assets, the Company recognizes the deficit or surplus by deducting the fair value of defined benefit plan assets from the present value of the defined benefit plan obligation as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling;

3) At the end of the period, the Company recognizes the following components of employee benefits cost arising from defined benefit plan: a. service cost; b. net interest on the net defined benefit plan liability (asset); and c. changes as a result of remeasurement of the net defined benefit liability (asset). Item a and item b are recognized in profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer those amounts recognized in other comprehensive income within equity.

(3) Termination benefits

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: a. when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or b. when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

(4) Other long-term employee benefits

When other long-term employee benefits provided to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the requirements relating to defined contribution plan, while other benefits are accounted for in accordance with the requirements relating to defined benefit plan. The Company recognizes the cost of employee benefits arising from other long-term employee benefits as the followings: a. service cost; b. net interest on the net liability or net assets of other long-term employee benefits; and c. changes as a result of remeasurement of the net liability or net assets of other long-term

employee benefits. As a practical expedient, the net total of the aforesaid amounts is recognized in profit or loss or included in the cost of a relevant asset.

22. projected liability

1. When an obligation arising from contingencies such as guarantees given to others, litigation matters, product quality assurance, loss contracts, etc. becomes a present obligation of the company, and it is probable that the performance of the obligation will result in an outflow of economic benefits to the company and the amount of the obligation can be measured reliably, the company recognizes the obligation as a projected liability.

2. The company initially measures a projected liability on the basis of the best estimate of the expenditure required to settle the relevant present obligation and reviews the carrying amount of the projected liability at the balance sheet date.

23. Revenue

Accounting policies on revenue recognition and measurement

1. Revenue recognition principles

At contract inception, the Company shall assess the contracts and shall identify each performance obligation in the contracts, and determine whether the performance obligation should be satisfied over time or at a point in time.

The Company satisfies a performance obligation over time if one of the following criteria is met, otherwise, the performance obligation is satisfied at a point in time: (1) the customer simultaneously receives and consumes the economic benefits provided by the Company's performance as the Company performs; (2) the customer can control goods as they are created by the Company's performance; (3) goods created during the Company's performance have irreplaceable uses and the Company has an enforceable right to the payments for performance completed to date during the whole contract period.

For each performance obligation satisfied over time, the Company shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation. In the circumstance that the progress cannot be measured reasonably, but the costs incurred in satisfying the performance obligation are expected to be recovered, the Company shall recognize revenue only to the extent of the costs incurred until it can reasonably measure the progress. For each performance obligation satisfied at a point in time, the Company shall recognize revenue at the time point that the customer obtains control of relevant goods or services. To determine whether the customer has obtained control of goods, the Company shall consider the following indications: (1) the Company has a present right to payment for the goods, i.e., the customer is presently obliged to pay for the goods; (2) the Company has transferred the legal title of the goods to the customer, i.e., the customer has legal title to the goods; (3) the Company has transferred physical possession of the goods to the customer, i.e., the customer has physically possessed the goods; (4) the Company has transferred significant risks and rewards of ownership of the goods to the customer, i.e., the customer has obtained significant risks and rewards of ownership of the goods; (5) the customer has accepted the goods; (6) other evidence indicating the customer has obtained control over the goods.

2. Revenue measurement principle

(1) Revenue is measured at the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties and those expected to be refunded to the customer.

(2) If the consideration promised in a contract includes a variable amount, the Company shall confirm the best estimate of variable consideration at expected value or the most likely amount. However, the transaction price that includes the amount of variable consideration only to the extent that it is high probable that a significant reversal in the amount of cumulative revenue recognized will

not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(3) In the circumstance that the contract contains a significant financing component, the Company shall determine the transaction price based on the price that a customer would have paid for if the customer had paid cash for obtaining control over those goods or services. The difference between the transaction price and the amount of promised consideration is amortized under effective interest method over contractual period. The effects of a significant financing component shall not be considered if the Company expects, at the contract inception, that the period between when the customer obtains control over goods or services and when the customer pays consideration will be one year or less.

(4) For contracts containing two or more performance obligations, the Company shall determine the stand-alone selling price at contract inception of the distinct good underlying each performance obligation and allocate the transaction price to each performance obligation on a relative stand-alone selling price basis.

3. Revenue recognition method

(1) Revenue from sales of products

The Company's main products are nutrition, flavor and fragrance, new polymer materials, etc. Sales of products are performance obligations satisfied at a point in time. Revenue from domestic sales is recognized when the Company has delivered goods to the customer as agreed by contract and has obtained delivery note signed by the customer, and the Company has collected the payments or has obtained the right to the payments, and related economic benefits are highly probable to flow to the Company. Revenue from overseas sales is recognized when the Company has declared goods to the customs based on contractual agreements and has obtained a bill of lading, and the Company has collected the payments or has obtained the right to the payments, and related economic benefits are highly probable to flow to the Company.

(2) Revenue from real estate sales

Real estate sales are performance obligations satisfied at a point in time. Revenue from real estate sales is recognized when the Company has delivered properties to the customer as agreed by contract and has obtained the client acceptance receipts signed by the customer, and the Company has collected the payments or has obtained the right to the payments, and related economic benefits are highly probable to flow to the Company.

24. Contract assets, contract liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance obligations and customers' payments. Contract assets and contract liabilities under the same contract shall offset each other and be presented on a net basis.

The Company presents an unconditional right to consideration (i.e., only the passage of time is required before the consideration is due) as a receivable, and presents a right to consideration in exchange for goods that it has transferred to a customer (which is conditional on something other than the passage of time) as a contract asset.

The Company presents an obligation to transfer goods to a customer for which the Company has received consideration (or the amount is due) from the customer as a contract liability.

25. Government grants

1. Government grants shall be recognized if, and only if, the following conditions are all met: (1) the Company will comply with the conditions attaching to the grants; (2) the grants will be received. Monetary government grants are measured at the amount received or receivable. Non-monetary government grants are measured at fair value, and can be measured at nominal amount in the circumstance that fair value cannot be assessed.

2. Government grants related to assets

Government grants related to assets are government grants with which the Company constructs or otherwise acquires long-term assets under requirements of government. In the circumstances that there is no specific government requirement, the Company shall determine based on the primary condition to acquire the grants, and government grants related to assets are government grants whose primary condition is to construct or otherwise acquire long-term assets. They offset carrying amount of relevant assets, or they are recognized as deferred income. If recognized as deferred income, they are included in profit or loss on a systematic basis over the useful lives of the relevant assets. Those measured at notional amount are directly included into profit or loss. For assets sold, transferred, disposed or damaged within the useful lives, balance of unamortized deferred income is transferred into profit or loss of the period in which the disposal occurred.

3. Government grants related to income

Government grants related to income are government grants other than those related to assets. For government grants that contain both parts related to assets and parts related to income, in which those two parts are blurred, they are thus collectively classified as government grants related to income. For government grants related to income used for compensating the related future cost, expenses or losses, they are recognized as deferred income and included in profit or loss or used to offset relevant cost during the period in which the relevant cost, expenses or losses are recognized; for government grants related to income used for compensating the related cost, expenses or losses incurred to the Company, they are directly included in profit or loss or used to offset relevant cost.

4. Government grants related to the ordinary course of business shall be included into other income or used to offset relevant cost based on business nature, while those not related to the ordinary course of business shall be included into non-operating revenue or expenditures.

5. Policy interest subvention

(1) In the circumstance that government appropriates interest subvention to lending bank, who provides loans for the Company with a policy subsidised interest rate, borrowings are carried at the amount received, with relevant borrowings cost computed based on the principal and the policy subsidised interest rate.

(2) In the circumstance that government directly appropriates interest subvention to the Company, the subsidised interest shall offset relevant borrowing cost.

26. Deferred tax assets/Deferred tax liabilities

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable income will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.

3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (1) business combination; and (2) the transactions or items directly recognized in equity.

5. Deferred income tax assets and deferred income tax liabilities are stated at net amounts after offsetting when the following conditions are simultaneously met: (1) there is a legal right to settle current income tax assets and current income tax liabilities on a net basis; (2) the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same tax authority on the same taxpaying entity, or relate to different taxpaying entities but are not realized or settled during each significant future period in which the deferred income tax assets and deferred income tax liabilities are reversed. each future period in which the deferred income tax assets and deferred income tax liabilities are reversed to the extent that the taxable entity involved intends to either settle the current income tax assets and current income tax liabilities on a net basis or to acquire the assets and settle the liabilities at the same time.

27. Leases

(1) Operating lease

1. Accounting treatment of leases as lessee

At the commencement date, the Company recognizes a lease that has a lease term of 12 months or less as a short-term lease, which shall not contain a purchase option; the Company recognizes a lease as a lease of a low-value asset if the underlying asset is of low value when it is new. If the Company subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

For all short-term leases and leases of low-value assets, lease payments are recognized as cost or profit or loss with straight-line method/unit-of-production method over the lease term.

Apart from the above-mentioned short-term leases and leases of low-value assets with simplified approach, the Company recognizes right-of-use assets and lease liabilities at the commencement date.

1) Right-of-use assets

The right-of-use asset is measured at cost and the cost shall comprise: 1) the amount of the initial measurement of the lease liability; 2) any lease payments made at or before the commencement date, less any lease incentives received; 3) any initial direct costs incurred by the lessee; and 4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Company depreciates the right-of-use asset using the straight-line method/unit-of-production method. If it is reasonable to be certain that the ownership of the underlying asset can be acquired by the end of the lease term, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

2) Lease liability

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate shall be used. Unrecognized financing expenses, calculated at the difference between the lease payment and its present value, are recognized as interest expenses over the lease term using the discount rate which has been used to determine the present value of lease payment and included in profit or loss. Variable lease payments not included in the measurement of lease liabilities are included in profit or loss in the periods in which they are incurred.

After the commencement date, if there is a change in the following items: a. actual fixed payments; b. amounts expected to be payable

under residual value guarantees; c. an index or a rate used to determine lease payments; d. assessment result or exercise of purchase option, extension option or termination option., the Company remeasures the lease liability based on the present value of lease payments after changes, and adjusts the carrying amount of the right-of-use asset accordingly. If the carrying amount of the right-of-use asset is reduced to zero but there shall be a further reduction in the lease liability, the remaining amount shall be recognized into profit or loss.

(2) Accounting for leases as lessor

At the inception date of a lease, the Company classifies leases that transfer substantially all the risks and rewards associated with ownership of the leased asset as finance leases, and all other leases as operating leases.

1) Operating leases

The Company recognizes lease receipts as rental income on a straight-line basis in each period of the lease term. Initial direct costs incurred are capitalized and amortized on the same basis as rental income and recognized in profit or loss in the current period. Variable lease payments related to operating leases that are not recognized as lease receipts are recognized in profit or loss when they are actually incurred.

2) Finance leases

At the commencement date of the lease term, the Company recognizes a finance lease receivable based on the net investment in the lease (the sum of the unguaranteed residual value and the present value of the lease receipts not yet received at the commencement date of the lease term discounted at the interest rate embedded in the lease) and derecognizes the asset under a finance lease. During each period of the lease term, the Company calculates and recognizes interest income based on the interest rate embedded in the lease.

Variable lease payments acquired by the Company that are not included in the measurement of the net investment in the lease are recognized in profit or loss when they are actually incurred.

(3) Sale and leaseback

1) Company as lessee

The Company evaluates to determine whether the transfer of assets in a sale and leaseback transaction is a sale in accordance with the provisions of ASBE No. 14, "Revenue".

If the transfer of an asset in a sale and leaseback transaction is a sale, the Company measures the right-of-use asset resulting from the sale and leaseback at the portion of the original asset's carrying value that relates to the right-of-use acquired by leasing it back and recognizes the related gain or loss only on the transfer of the right to the lessor.

If the transfer of an asset in a sale-leaseback transaction is not a sale, the Company continues to recognize the transferred asset, and at the same time recognizes a financial liability equal to the amount of the transfer proceeds and accounts for the financial liability in accordance with Accounting Standard for Business Enterprises (ASBE) No. 22, "Recognition and Measurement of Financial Instruments".

2) The Company as Lessor

The Company evaluates to determine whether the transfer of assets in a sale-and-leaseback transaction is a sale in accordance with ASBE No. 14, "Revenue".

If the transfer of assets in a sale-leaseback transaction is a sale, the Company accounts for the purchase of assets in accordance with other applicable corporate accounting standards and for the lease of assets in accordance with ASBE No. 21 - Leasing.

If the transfer of assets in a sale-leaseback transaction is not a sale, the company does not recognize the transferred assets, but recognizes a financial asset equal to the transfer proceeds and accounts for the financial asset in accordance with ASBE No. 22, "Recognition and Measurement of Financial Instruments".

28. Work safety fund

Safety production fees extracted by the Company in accordance with the Administrative Measures for the Extraction and Use of Enterprise Production Safety Expenses (Cai Zi [2022] No. 136) issued by the Ministry of Finance and the Ministry of Emergency Response are included in the cost of the relevant products or in current profit or loss, and are also recorded in the account of "special reserve". When the safety production fee is used, if it is an expense, it is directly deducted from the special reserve. If a fixed asset is formed, the expenditure incurred is summarized under the "construction in progress" account and recognized as a fixed asset when the safety project is completed and reaches the intended state of use; at the same time, the special reserve is deducted in accordance with the cost of forming the fixed asset and accumulated depreciation of the same amount is recognized, and no depreciation will be provided for the fixed asset in the subsequent period.

29. Segment reporting

Operating segments are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. An operating segment is a component of the Company:

1. that engages in business activities from which it may earn revenues and incur expenses;
2. whose financial performance is regularly reviewed by the Management to make decisions about resource to be allocated to the segment and to assess its performance; and
3. for which accounting information regarding financial position, financial performance and cash flows is available through analysis.

30. Accounting treatment related to share repurchase

When the Company repurchases its shares for the purpose of reducing its registered capital or rewarding its employees, if the purchased shares are to be kept as treasury shares, the treasury shares are recorded at the cash distributed to existing shareholders for repurchase; if the purchased shares are to be retired, the difference between the total par value of shares retired and the cash distributed to existing shareholders for repurchase is to reduce capital reserve, or retained earnings when the capital reserve is not enough to reduce. If the Company repurchases vested equity instruments in equity-settled share-based payment transactions with employees, cost of treasury shares granted to employees and capital reserve (other capital reserve) accumulated within the vesting period are to be written off on the payment made to employees, with a corresponding adjustment in capital reserve (share premium).

31. Significant changes in accounting policies and estimates

(1) Significant changes in accounting policies

Applicable Not Applicable

Unit: RMB Yuan

Contents and reasons	Statement Items Significantly Affected	Amount of impact
Effective January 1, 2023, the Company implemented Accounting Standards Interpretation No. 16 issued by the Ministry of Finance (MOF). The "Accounting for deferred income taxes not subject to the initial recognition exemption for assets and liabilities arising from individual transactions" requires that adjustments be made for individual transactions to which the provision applies that occur between the beginning of the earliest period for which the financial statements are presented in the period in which the provision is first implemented and the date of first implementation. If taxable temporary differences and deductible temporary differences arise from lease liabilities and right-of-use assets recognized as a result of a single transaction to which this provision applies at the beginning of the earliest period for which the financial statements are presented for the first time, and if projected liabilities related to abandonment obligations and related assets are recognized, the taxable temporary differences and deductible temporary differences shall be adjusted in accordance with the provisions of this provision and Accounting Standard No. 18 - "Income Taxes". -Income Taxes, the cumulative effect is adjusted to opening retained earnings and other related financial statement items in the earliest period for which the financial statements are presented.	Balance sheet items at December 31, 2022	
	Deferred tax assets	19,857.63
	Surplus reserve	959.16
	Undistributed profit	18,898.47
	Income statement items for fiscal year 2022	
	Income tax	-9,591.55

(2) Significant changes in accounting estimates

□ Applicable √ Not Applicable

(3) Adjustments to items related to financial statements at the beginning of the year of first-time implementation of new accounting standards from 2023 onwards

□ Applicable √ Not Applicable

VI. Taxes**1. Main taxes and tax rates**

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The output tax calculated based on the revenue from sales of goods or rendering of services in accordance with the tax law, net of the input tax that is allowed to be deducted in the current period	13%, 9%, 8%, 6%, 5% and 19%; export goods enjoy the "exemption, credit and refund" policy and the refund rate ranges from 0% to 13%; the subsidiary Zhejiang NHU Import & Export Co., Ltd. enjoys the "refund upon collection" policy and the refund rate ranges from 0% to 13%.
Urban maintenance and construction tax	Turnover tax actually paid	5%, 7%
Enterprise income tax	Taxable income	15%、16.5%、17%、20%、22%、25%、25.5%、34%
Land appreciation tax	The incremental amount arising from the transfer of state-owned land use right and the buildings and structures that are constructed on the land	A four-grade progressive tax system is adopted. The rates are: 30% for appreciated value not over 50% of total deductible amount; 40% for appreciated value over 50% but not over 100% of total deductible amount; 50% for appreciated value over 100% but not over 200% of total deductible amount; and 60%

Taxes	Tax bases	Tax rates
		for appreciated value over 200% of total deductible amount.
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of rent revenue.	1.2%, 12%
Education surcharge	Turnover tax actually paid	3%
Local education surcharge	Turnover tax actually paid	2%
Solidarity surcharge [Note]	Income tax payable	5.50%
Trade tax [Note]	Taxable income	13.30%

Note: The subsidiaries NHU EUROPE GmbH, NHU PERFORMANCE MATERIALS GMBH and Bardoterminal GmbH are subject to these rates.

Different enterprise income tax rates applicable to different taxpayers:

Taxpayers	Income tax rate
The Company	15%
Shangyu NHU Bio-Chem Co., Ltd.	15%
Shandong NHU Pharmaceutical Co., Ltd.	15%
Shandong NHU Vitamins Co., Ltd.	15%
Shandong NHU Amino-acids Co., Ltd.	15%
Zhejiang NHU Special Materials Co., Ltd.	15%
Heilongjiang NHU Biotechnology Co., Ltd.	15%
Zhejiang NHU Pharmaceutical Co., Ltd.	15%
Shandong NHU Fine Chemical Science and Technology Co.	15%
NHU (Hong Kong) Trading Co., Ltd.	Adoption of the territorial source principle of taxation, with profits tax rate of 8.25% for the first HK\$2 million of Hong Kong-sourced profits and 16.5% for the subsequent Hong Kong-sourced profits, while profits sourced elsewhere are not subject to Hong Kong profits tax
NHU EUROPE GmbH	15%
NHU PERFORMANCE MATERIALS GMBH	15%
Bardoterminal GmbH	15%
NHU Singapore PTE. LTD.	17%
Shandong New Shuang'an Biotechnology Co., Ltd.	20%
NHU/CHR.OLESEN LATIN AMERICA A/S	22%
NHU CHR.OLESEN MEXICO S.A.P.I. DE C.V.	25.5%
NHU/CHR.OLESEN BRASIL LTDA	34%
Other tax paying entities other than the above	25%

2. Tax preferential policies

1. Enterprise income tax

(1) Tax incentives for high-tech enterprises

1) According to the Hi-Tech Enterprise Certificate (GR202333009429) issued by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance and Zhejiang Provincial Tax Service, State Taxation Administration (STA), the Company is accredited as a hi-tech enterprise and entitled to enjoy the tax preferential policy from 2023 to 2025. It is subject to the rate of 15% for enterprise income tax in 2023.

2) According to the Hi-Tech Enterprise Certificate (GR202233002530) issued by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance and Zhejiang Provincial Tax Service, STA, the subsidiary Shangyu NHU Bio-Chem Co., Ltd. is accredited as a hi-tech enterprise and entitled to enjoy the tax preferential policy from 2022 to 2024. It is subject to the rate of 15% for enterprise income tax in 2023.

3) According to the Hi-Tech Enterprise Certificate (GR202337003609) issued by Department of Science and Technology of Shandong Province, Shandong Provincial Department of Finance and Shandong Provincial Tax Service, STA, the subsidiary Shandong NHU Pharmaceutical Co., Ltd. is accredited as a hi-tech enterprise and entitled to enjoy the tax preferential policy from 2023 to 2025. It is subject to the rate of 15% for enterprise income tax in 2023.

4) According to the Hi-Tech Enterprise Certificate (GR202337002254) issued by Department of Science and Technology of Shandong Province, Shandong Provincial Department of Finance and Shandong Provincial Tax Service, STA, the grandson Shandong NHU Vitamins Co., Ltd. is accredited as a hi-tech enterprise and entitled to enjoy the tax preferential policy from 2023 to 2025. It is subject to the rate of 15% for enterprise income tax in 2023.

5) According to the Hi-Tech Enterprise Certificate (GR202137000086) issued by Department of Science and Technology of Shandong Province, Shandong Provincial Department of Finance and Shandong Provincial Tax Service, STA, the subsidiary Shandong NHU Amino Acid Co., Ltd. is accredited as a hi-tech enterprise and entitled to enjoy the tax preferential policy from 2021 to 2023. It is subject to the rate of 15% for enterprise income tax in 2023.

6) According to the Hi-Tech Enterprise Certificate (GR202133008939) issued by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance and Zhejiang Provincial Tax Service, STA, the subsidiary Zhejiang NHU Special Materials Co., Ltd. is accredited as a hi-tech enterprise and entitled to enjoy the tax preferential policy from 2021 to 2023. It is subject to the rate of 15% for enterprise income tax in 2023.

7) According to the Hi-Tech Enterprise Certificate (GR202123000560) issued by Heilongjiang Provincial Department of Science and Technology, Heilongjiang Provincial Department of Finance and Heilongjiang Provincial Tax Service, STA, the subsidiary Heilongjiang NHU Biotechnology Co., Ltd. is accredited as a hi-tech enterprise and entitled to enjoy the tax preferential policy from 2021 to 2023. It is subject to the rate of 15% for enterprise income tax in 2023.

8) According to the Hi-Tech Enterprise Certificate (GR202233004365) issued by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance and Zhejiang Provincial Tax Service, STA, the subsidiary Zhejiang NHU Pharmaceutical Co., Ltd. is accredited as a hi-tech enterprise and entitled to enjoy the tax preferential policy from 2022 to 2024. It is subject to the rate of 15% for enterprise income tax in 2023.

9) According to the Hi-Tech Enterprise Certificate (GR202237005690) issued by Department of Science and Technology of Shandong Province, Shandong Provincial Department of Finance and Shandong Provincial Tax Service, STA, the subsidiary Shandong NHU Fine Chemical Science and Technology Co. is accredited as a hi-tech enterprise and entitled to enjoy the tax preferential policy from 2022 to 2024. It is subject to the rate of 15% for enterprise income tax in 2023.

(2) Tax incentives for micro and small enterprises

According to the Announcement of the Ministry of Finance and the State Administration of Taxation on Preferential Policies on Income Tax for Small and Micro Enterprises and Individual Entrepreneurs (Announcement of the Ministry of Finance and the State Administration of Taxation No. 6 of 2023) and the Announcement on Further Implementation of Preferential Policies on the Income Tax for Small and Micro Enterprises (Announcement of the Ministry of Finance and the State Administration of Taxation No. 13 of 2022), from 1 January 2023 to 31 December 2024, small and micro enterprises are entitled to a reduction of 25% of their annual taxable income and a tax rate of 20%. taxable income of small micro-profit enterprises not exceeding 1 million yuan shall be reduced by 25%

of the taxable income and subject to enterprise income tax at a rate of 20%. From January 1, 2022 to December 31, 2024, the portion of the annual taxable income of small micro-profit enterprises exceeding 1 million yuan but not exceeding 3 million yuan shall be reduced by 25% of the taxable income and subject to enterprise income tax at a rate of 20%. The grandson company, Shandong New Shuang'an Biotechnology Co., Ltd is subject to enterprise income tax at the corresponding preferential tax rate.

(3) Tax Benefits for Foreign Enterprises

According to Section 14 of the Inland Revenue Ordinance, Chapter 112 of the Laws of Hong Kong, Hong Kong adopts the territorial source principle of taxation, i.e. only profits derived from Hong Kong are subject to Hong Kong tax, whereas profits derived from elsewhere are not subject to Hong Kong profits tax. The subsidiary, Sun Woo Shing (Hong Kong) Trading Company Limited, is subject to enterprise income tax at the corresponding preferential tax rate.

2. VAT

(1) According to the Announcement of the Ministry of Finance and the State Administration of Taxation on the Policy of Value-added Tax Credits for Enterprises in the Advanced Manufacturing Industry (Announcement of the Ministry of Finance and the State Administration of Taxation No. 43 of 2023), from 1 January 2023 to 31 December 2027, enterprises in the advanced manufacturing industry are allowed to offset the payable value-added tax by adding 5% to the current period's creditable input tax amount. Subsidiaries Shangyu NHU Bio-Chem Co., Ltd., Shandong NHU Pharmaceutical Co., Ltd., Shandong NHU Amino-acids Co., Ltd. and Zhejiang NHU Special Materials Co., Ltd., and grandson Shandong NHU Vitamins Co., Ltd., enjoy the preferential policy of adding 5% to the input tax credits.

(2) According to the Announcement of the Ministry of Finance and the State Administration of Taxation and the General Administration of Customs on Policies Related to Deepening Value-added Tax Reform (Announcement of the Ministry of Finance and the State Administration of Taxation and the General Administration of Customs No. 39 of 2019), taxpayers in the production and living service industries are permitted to offset their tax payable in accordance with the current period's creditable input tax by adding up to 10 percent from April 1, 2019, to December 31, 2021; and according to the State Administration of Taxation's Announcement on Matters Relating to the Levy and Administration of VAT Reduction and Exemption Policies for Small-scale Taxpayers and Other Policies" (Announcement No. 1 of the State Administration of Taxation of the People's Republic of China for the Year 2023), the implementation period of the aforesaid policy of VAT deduction and credit was extended to December 31, 2023. Weifang Jinghe Real Estate Co., Ltd, Ltd., the Grandson Company, is in compliance with the above provisions and enjoys the corresponding tax benefits.

VII. Notes to items of consolidated financial statements

1. Cash and bank balances

Unit: RMB Yuan

Items	Closing balance	Opening balance
Cash on hand	21,747.98	16,584.59
Cash in bank	4,445,046,788.85	5,151,816,943.29
Other cash and bank balances	97,192,582.33	192,018,439.84
Digital Currency - RMB	1,100,027.82	
Total	4,543,361,146.98	5,343,851,967.72
Including: Deposited overseas	89,207,212.60	62,426,363.92

Other remarks

Other cash and bank balances

Unit: RMB Yuan

Items	Closing balance	Opening balance
Deposit for bank acceptance	77,905,369.24	147,608,293.24
Deposit for letters of credit	12,048,779.84	42,310,180.59
Customs Margin	3,929,600.00	
Deposit for construction safety	870,050.56	863,937.05
Deposit for engineering labor costs	853,216.21	851,288.54
Deposit for water fees	661,215.83	359,836.44
Letter of Guarantee Deposit	500,000.00	
Deposited investment fund	393,449.58	2.91
Deposit for ETC	22,500.00	16,500.00
Alipay balance	8,401.07	8,401.07
Total	97,192,582.33	192,018,439.84

2. Held-for-trading financial assets

Unit: RMB Yuan

Items	Closing balance	Opening balance
Financial assets at fair value through profit or loss	173,056,050.95	720,314,576.43
Including: Financial products with guaranteed principal and floating income	145,000,000.00	720,000,000.00
Derivative financial assets	28,056,050.95	314,576.43
Total	173,056,050.95	720,314,576.43

3. Notes receivable**(1) Details on categories**

Unit: RMB Yuan

Items	Closing balance	Opening balance
Bank acceptance	116,125,267.70	321,261,741.29
Commercial Acceptance		51,380,094.50
Total	116,125,267.70	372,641,835.79

(2) Classified disclosure by bad debt provision method

Unit: RMB Yuan

Categories	Closing balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion	
Notes receivable with provision for bad debts made on a collective basis	116,125,267.70	100.00%			116,125,267.70
Bank acceptance	116,125,267.70	100.00%			116,125,267.70
Commercial Acceptance					
Total	116,125,267.70	100.00%			116,125,267.70

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion	
Notes receivable with provision for bad debts made on a collective basis	375,346,051.29	100.00%	2,704,215.50	0.72%	372,641,835.79
Bank acceptance	321,261,741.29	85.59%			321,261,741.29
Commercial acceptance	54,084,310.00	14.41%	2,704,215.50	5.00%	51,380,094.50
Total	375,346,051.29	100.00%	2,704,215.50	0.72%	372,641,835.79

Unit: RMB Yuan

Categories	Closing balance		
	Book balance	Provision for bad debts	Provision proportion
Bankers' acceptances portfolio	116,125,267.70		
Total	116,125,267.70		

If the allowance for bad debts on notes receivable is based on a general model of expected credit losses:

 Applicable Not Applicable**(3) Provision for bad debts made, recovered or reversed during the period**

Provision for bad debts in the current period:

Unit: RMB Yuan

Categories	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery/ Reversal	Write-off	Others	
Provision made on a collective basis	2,704,215.50	-2,704,215.50				
Total	2,704,215.50	-2,704,215.50				

of which the amount of bad debt provision recovered or reversed during the period is significant:

 Applicable Not Applicable

(4) Pledged notes at the balance sheet date

Unit: RMB Yuan

Items	Closing balance of pledged notes
Bank acceptance	94,097,743.14
Total	94,097,743.14

(5) Endorsed or discounted but undue notes at the balance sheet date

Unit: RMB Yuan

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	35,000,866.20	
Total	35,000,866.20	

The acceptors of these bankers' acceptances are commercial banks with high creditworthiness, and the probability of non-payment of bankers' acceptances accepted by them at maturity is relatively low, therefore, the Company will derecognize these bankers' acceptances that have been endorsed or discounted. However, if the notes are not paid when due, the Company will still be jointly and severally liable to the bearer in accordance with the provisions of the Bills of Exchange Act.

4. Accounts receivable**(1) Age analysis**

Unit: RMB Yuan

Ages	Closing balance	Opening balance
Within 1 year (inclusive)	2,540,372,908.81	2,573,685,603.72
1-2 years	87,390,861.85	39,010,397.08
2-3 years		297,000.00
Over 3 years	2,106,280.80	2,049,280.80
3-4 years	57,000.00	203,200.00
4-5 years	203,200.00	286,550.00
Over 5 years	1,846,080.80	1,559,530.80
Total	2,629,870,051.46	2,615,042,281.60

(2) Details on categories

Unit: RMB Yuan

Categories	Closing balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion	
Including:					
Accounts receivable with provision for bad debts made on a collective basis	2,629,870,051.46	100.00%	146,603,098.58	5.57%	2,483,266,952.88
Total	2,629,870,051.46	100.00%	146,603,098.58	5.57%	2,483,266,952.88

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion	
Including:					
Accounts receivable with provision for bad debts made on a collective basis	2,615,042,281.60	100.00%	138,773,240.37	5.31%	2,476,269,041.23
Total	2,615,042,281.60	100.00%	138,773,240.37	5.31%	2,476,269,041.23

Accounts receivable with provision for bad debts made on a collective basis: 146,603,098.58

Unit: RMB Yuan

Ages	Closing balance		
	Closing balance	Closing balance of provision for bad debts	Proportion to the total balance of receivables (%)
Within 1 year (inclusive)	2,540,372,908.81	127,018,645.41	5.00%
1-2 years	87,390,861.85	17,478,172.37	20.00%
2-3 years	2,106,280.80	2,106,280.80	100.00%
Total	2,629,870,051.46	146,603,098.58	

A description of the basis for determining the portfolio:

Provision for bad debts using an ageing portfolio

If the allowance for bad debts for accounts receivable is based on the general model of expected credit losses:

 Applicable Not Applicable**(3) Provisions made, collected or reversed in the current period**

Provisions made in the current period:

Unit: RMB Yuan

Categories	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery/Reversal	Write-off	Others	
Provision made on a collective basis	138,773,240.37	8,404,850.21		574,992.00		146,603,098.58
Total	138,773,240.37	8,404,850.21		574,992.00		146,603,098.58

(4) Accounts receivable actually written off in the current period

Unit: RMB Yuan

Items	Write-off amount
Payment for goods	574,992.00

(5) Details of the top 5 debtors with largest balances

Unit: RMB Yuan

Debtors	Closing balance	Proportion to the total balance of receivables (%)	Closing balance of provision for bad debts
Client A	258,627,362.37	9.83%	12,931,368.12
Client B	153,899,998.71	5.85%	7,694,999.94

Debtors	Closing balance	Proportion to the total balance of receivables (%)	Closing balance of provision for bad debts
Client C	85,556,985.11	3.25%	17,111,397.02
Client D	57,015,735.00	2.17%	2,850,786.75
Client E	48,661,266.69	1.85%	2,433,063.33
Total	603,761,347.88	22.95%	43,021,615.16

5、Receivables financing

(1) Presentation of receivable financing classifications

Unit: RMB Yuan

Items	Closing balance	Opening balance
Bank acceptance	331,634,090.61	379,217,582.25
Total	331,634,090.61	379,217,582.25

(2) Pledged notes at the balance sheet date

Unit: RMB Yuan

Items	Closing balance of pledged notes
Bank acceptance	143,872,489.15
Subtotal	143,872,489.15

(3) Endorsed or discounted but undue notes at the balance sheet date

Unit: RMB Yuan

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	813,990,160.58	
Total	813,990,160.58	

(4) Other remarks:

Due to the fact that the acceptor of bank acceptance is commercial bank, which is of high credit level, there is very little possibility of failure in recoverability when it is due. Based on this fact, the Company derecognized the endorsed or discounted bank acceptance. However, if any bank acceptance is not recoverable when it is due, the Company still holds joint liability on such acceptance, according to the China Commercial Instrument Law.

6、Advances paid

(1) Age analysis

Unit: RMB Yuan

Ages	Closing balance		Opening balance	
	Amount	% to total	Amount	% to total
Within 1 year	206,538,373.94	98.69%	215,300,317.59	96.84%
1-2 years	2,623,068.38	1.25%	7,013,257.67	3.14%
2-3 years	97,159.73	0.05%	16,001.00	0.01%

Ages	Closing balance		Opening balance	
	Amount	% to total	Amount	% to total
Over 3 years	16,000.00	0.01%	7,200.00	0.01%
Total	209,274,602.05		222,336,776.26	

(2) Details of the top 5 debtors with largest balances

Unit: RMB Yuan

Debtors	Book balance	Proportion to the total balance of advances paid (%)
Supplier A	45,926,357.35	21.95%
Supplier B	26,130,000.00	12.49%
Supplier C	18,544,352.45	8.86%
Supplier D	16,932,930.71	8.09%
Supplier E	9,045,984.53	4.32%
Subtotal	116,579,625.04	55.71%

7. Other receivables

Unit: RMB Yuan

Items	Closing balance	Opening balance
Dividend receivable		20,735,987.73
Other receivables	142,060,705.67	248,831,605.00
Total	142,060,705.67	269,567,592.73

(1) Dividend receivable**1) Classification of dividends receivable**

Unit: RMB Yuan

Items/Investees	Closing balance	Opening balance
Zhejiang Chunhui Environmental Protection Energy Co., Ltd.		20,735,987.73
Total		20,735,987.73

(2) Other receivables**1) Categorized by nature**

Unit: RMB Yuan

Nature of receivables	Closing book balance	Opening book balance
Export tax refund	59,999,917.27	62,763,834.97
Security deposits	26,223,295.23	120,123,425.59
Refundable VAT	49,708,056.90	41,890,037.74
Employee petty cash	5,892,932.02	8,050,322.00
Temporary advance payment receivable	5,105,463.95	3,839,206.82
Others	2,290,423.97	3,035,775.60

Nature of receivables	Closing book balance	Opening book balance
Unborrowed funds		21,098,506.24
Receivables of returned equipment		1,041,600.00
Total	149,220,089.34	261,842,708.96

2) Ages analysis

Unit: RMB Yuan

Ages	Closing book balance	Opening book balance
Within 1 year (inclusive)	121,257,098.80	129,009,444.59
1-2 years	4,774,411.02	21,076,224.01
2-3 years	5,220,071.25	1,271,099.17
Over 3 years	17,968,508.27	110,485,941.19
3-4 years	1,111,491.23	8,243,583.58
4-5 years	3,390,964.34	3,449,067.41
Over 5 years	13,466,052.70	98,793,290.20
Total	149,220,089.34	261,842,708.96

3) Classified disclosure by bad debt provision method

 Applicable Not Applicable

Unit: RMB Yuan

Categories	Closing balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion	
Including:					
Provision for bad debts by portfolio	149,220,089.34	100.00%	7,159,383.67	4.80%	142,060,705.67
Total	149,220,089.34	100.00%	7,159,383.67	4.80%	142,060,705.67

(Continued)

Categories	Opening balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion	
Including:					
Provision for bad debts by portfolio	261,842,708.96	100.00%	13,011,103.96	4.97%	248,831,605.00
Total	261,842,708.96	100.00%	13,011,103.96	4.97%	248,831,605.00

Number of bad debt provision categories by portfolio:1

Provision for bad debts is made on a portfolio basis:7,159,383.67

Unit: RMB Yuan

Ages	Closing balance		
	Amount	Carrying amount	% to total
Export tax refund receivable portfolio	59,999,917.27	0.00	0.00%
VAT refund receivable portfolio	49,708,056.90	0.00	0.00%
Land bond receivable portfolio	17,354,493.50	0.00	0.00%
Portfolio of deposits receivable from customs and tax authorities	266,701.95	0.00	0.00%
Ages	21,890,919.72	7,159,383.67	32.70%
Within 1 year (inclusive)	12,061,340.14	603,066.99	5.00%
1-2 years	3,995,493.56	799,098.71	20.00%
2-3 years	384,340.25	307,472.20	80.00%
Over 3 years	5,449,745.77	5,449,745.77	100.00%
Total	149,220,089.34	7,159,383.67	

Provision for bad debts is made on the basis of a general model of expected credit losses:

Unit: RMB Yuan

Provision for bad debts	Phase I	Phase II	Phase III	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance	1,760,180.53	1,062,902.90	10,188,020.53	13,011,103.96
Opening balance in the current period				
--Transferred to phase II	-199,774.68	199,774.68		
--Transferred to phase III		-76,868.05	76,868.05	
Provision made in the current period	-957,338.86	-386,710.82	-4,507,670.61	-5,851,720.29
Closing balance	603,066.99	799,098.71	5,757,217.97	7,159,383.67

Classification of stages and bad debt provisioning ratio

The basis of classification by stages: Accounts aged less than one year are classified as stage I, accounts aged 1 to 2 years are classified as stage II, and accounts aged more than 2 years are classified as stage III.

Changes in carrying amounts for which the amount of change in the provision for losses during the period is material.

Applicable Not applicable

4) Provisions made, collected or reversed in the current period

Provisions made in the current period:

Unit: RMB Yuan

Categories	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery/Reversal	Write-off	Others	
Provision made on a collective basis	13,011,103.96	-5,851,720.29				7,159,383.67
Total	13,011,103.96	-5,851,720.29				7,159,383.67

5) Details of the top 5 debtors with largest balances

Unit: RMB Yuan

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
National Revenue Service (export tax refunds receivable)	Export tax refund	59,999,917.27	Within 1 year (inclusive)	40.21%	
Servicio de Administración Tributaria	Refundable VAT	22,199,235.58	Within 1 year (inclusive)	14.88%	
Weifang Municipal Bureau of Land and Resource, Binhai District Branch	Security deposits	4,835,731.00	2-3 years	3.24%	
	Security deposits	12,518,762.50	Over 3 years	8.39%	
Bundeskasse	Refundable VAT	12,505,403.98	Within 1 year (inclusive)	8.38%	
Secretaria da Fazenda do Estado	Refundable VAT	10,613,802.56	Within 1 year (inclusive)	7.11%	
Total		122,672,852.89		82.21%	

8. Inventories

Is the company subject to disclosure requirements for the real estate industry

No

(1) Inventory classification

Unit: RMB Yuan

Items	Closing balance			Opening balance		
	Book balance	Provision for inventory write-down/ Provision for impairment of cost to fulfill a contract	Carrying amount	Book balance	Provision for inventory write-down/ Provision for impairment of cost to fulfill a contract	Carrying amount
Raw materials	527,624,081.09	6,293,242.29	521,330,838.80	512,088,438.92	1,371,035.91	510,717,403.01
Work in process	1,178,294,229.77	6,519,042.73	1,171,775,187.04	1,259,897,028.55		1,259,897,028.55
Goods on hand	2,417,138,791.32	216,472,992.13	2,200,665,799.19	2,122,998,309.26	151,579,577.92	1,971,418,731.34
Goods dispatched	108,180,564.86		108,180,564.86	96,141,207.37		96,141,207.37
Development cost	98,068,949.58		98,068,949.58	97,530,835.60		97,530,835.60
Developed products	122,563,022.12		122,563,022.12	121,902,734.56		121,902,734.56
Materials on consignment for further processing	5,430,259.53		5,430,259.53	8,335,609.99		8,335,609.99
Packages	17,397,177.94		17,397,177.94	16,061,832.47		16,061,832.47
Low-value consumables	73,467,076.28		73,467,076.28	62,552,319.50		62,552,319.50
Total	4,548,164,152.49	229,285,277.15	4,318,878,875.34	4,297,508,316.22	152,950,613.83	4,144,557,702.39

(2) Inventories – Development cost

Unit: RMB Yuan

Items	Estimated total investment	Opening balance	Closing balance
Boao NHU Resort	550 million	42,570,355.38	43,108,469.36
Weifang NHU Town Phase II	398.53 million	54,960,480.22	54,960,480.22
Subtotal		97,530,835.60	98,068,949.58

(3) Inventories – Developed products

Unit: RMB Yuan

Items	Date of completion	Opening balance	Increase	Decrease	Closing balance
Boao NHU Resort Center	December 2014	121,902,734.56	660,287.56		122,563,022.12
Subtotal		121,902,734.56	660,287.56		122,563,022.12

(4) Provision for inventory write-down and provision for impairment of cost to fulfill a contract

Unit: RMB Yuan

Items	Opening balance	Increase		Decrease		Closing balance
		Accrual	Others	Recovery/ Reversal	Others	
Raw materials	1,371,035.91	4,922,206.38				6,293,242.29
Work in process		6,519,042.73				6,519,042.73
Goods on hand	151,579,577.92	219,159,199.11		154,265,784.90		216,472,992.13
Total	152,950,613.83	230,600,448.22		154,265,784.90		229,285,277.15

Items	Determination basis of net realizable value	Reasons for write-off of provision for inventory write-down	Reasons for reversal of provision for decline in value of inventories
Raw materials	Net realizable value is determined as the estimated selling price of the relevant finished goods, less costs estimated to be incurred to completion, estimated selling expenses and related taxes.	Increase in net realizable value of inventories for which provision for decline in value of inventories was made in prior periods	Consumption of inventories for which provision for decline in value of inventories has been made during the period
Work in process	Net realizable value is determined as the estimated selling price of the relevant finished goods, less costs estimated to be incurred to completion, estimated selling expenses and related taxes.	Increase in net realizable value of inventories for which provision for decline in value of inventories was made in prior periods	Inventories for which provision for inventory write-downs was made at the beginning of the period were depleted during the period.
Goods on hand	Net realizable value is determined as the estimated selling price of the relevant finished goods, less estimated selling expenses and related taxes.	Increase in net realizable value of inventories for which provision for decline in value of inventories was made in prior periods	Inventories for which provision for decline in value of inventories was made at the beginning of the period were sold during the period

9. Other current assets

Unit: RMB Yuan

Items	Closing balance	Opening balance
Prepaid VAT or input VAT to be credited	47,538,826.76	123,811,281.53
Prepaid enterprise income tax	5,070,275.22	54,251,454.46
Prepaid insurance premiums	4,738,519.69	4,330,488.27
Prepaid housing rents		23,362.83
Prepaid urban maintenance and	13,194.85	13,194.85

Items	Closing balance	Opening balance
construction tax		
Prepaid education surcharge	7,916.74	7,916.74
Prepaid local education surcharge	5,278.11	5,278.11
Amortized catalyst costs	10,858,733.66	
Total	68,232,745.03	182,442,976.79

10. Long-term equity investments

Unit: RMB Yuan

Investees	Opening carrying amount	Closing carrying amount	Increase/Decrease							Closing carrying amount	Closing balance of provision for impairment	
			Investments increased	Investments decreased	Investment income/losses recognized under equity method	Adjustment in other comprehensive income	Changes in other equity	Cash dividend/ Profit declared for distribution	Provision for impairment			Others
I. Joint ventures												
Ningbo ZRCC NHU Biotechnology Co., Ltd.			233,508,000.00		-17,341,021.51						216,166,978.49	
Subtotal			233,508,000.00		-17,341,021.51						216,166,978.49	
II. Associates												
Zhejiang Chunhui Environmental Protection Energy Co., Ltd.	239,967,333.33				41,180,429.16		50,707.22	12.27		197,267.10	281,395,724.54	
Zhejiang sanbo polymer Co., Ltd												
Envalior NHU Engineering Materials (Zhejiang) Co., Ltd.	24,457,448.36				5,388,244.54					2,547,352.90	27,298,340.00	
Zhejiang Saiya Chemical Materials Co., Ltd.	125,450,987.77				21,443,548.34			14,700,000.00		-591,335.07	131,603,201.04	
CysBio ApS	36,784,947.60				-6,349,672.37					593,502.98	31,028,778.21	
Shandong Bin'an Vocational Training School Co., Ltd. [Note1]	5,842,851.42				-785,275.89						5,057,575.53	
Anhui Innovation Technology Co., Ltd			4,000,000.00		594,602.27						4,594,602.27	
Subtotal	432,503,568.48		4,000,000.00		61,471,876.05		50,707.22	14,700,012.27	7[Note2]	2,347,917.89	480,978,221.59	
Total	432,503,568.48		237,508,000.00		44,130,854.54		50,707.22	14,700,012.27	7	2,347,917.89	697,145,200.08	

[Note1] Envalior NHU Engineering Materials (Zhejiang) Co., Ltd. was renamed as DSM NHU Engineering Materials (Zhejiang) Co., Ltd. in August 2023

[Note2] The Company received cash dividends of RMB 20,736,000.00 yuan in the current period, and the difference of RMB 12.27 yuan from the dividend receivable accrued in the previous period was recognized in the current period.

Recoverable amount determined as fair value less costs of disposal, net

Applicable Not applicable

Recoverable amount is determined as the present value of the expected future cash flows

Applicable Not applicable

11. Other equity instrument investments

Unit: RMB Yuan

Items	Closing balance	Opening balance	Profit recognized in other comprehensive income for the period	Loss for the period charged to other comprehensive income	Profit accumulated in other comprehensive income at the end of the period	Losses accumulated in other comprehensive income at the end of the period	Dividend income recognized during the period	Reasons for designation as at fair value through other comprehensive income
Zhejiang Second Pharma Co., Ltd.	7,790,147.55	7,790,147.55					17,973,000.00	

Items	Closing balance	Opening balance	Profit recognized in other comprehensive income for the period	Loss for the period charged to other comprehensive income	Profit accumulated in other comprehensive income at the end of the period	Losses accumulated in other comprehensive income at the end of the period	Dividend income recognized during the period	Reasons for designation as at fair value through other comprehensive income
Shanghai NewMargin Yongjin Equity Enterprise (LP)	15,208,000.00	15,208,000.00					6,500,000.00	
Total	22,998,147.55	22,998,147.55					24,473,000.00	

12. Fixed assets

Unit: RMB Yuan

Items	Closing balance	Opening balance
Fixed assets	21,860,082,637.13	16,523,867,858.53
Total	21,860,082,637.13	16,523,867,858.53

(1) Details

Unit: RMB Yuan

Items	Buildings and structures	General equipment	Special equipment	Transport facilities	Total
I. Cost:					
1. Opening balance	7,126,286,829.35	217,277,952.88	15,524,771,612.37	27,261,458.12	22,895,597,852.72
2. Increase	1,095,803,550.76	33,374,868.35	5,861,089,885.32	8,705,604.68	6,998,973,909.11
(1) Acquisition	114,457,965.89	13,959,051.51	259,474,019.74	8,705,604.68	396,596,641.82
(2) Transferred in from construction in progress	981,345,584.87	19,415,816.84	5,601,615,865.58		6,602,377,267.29
3. Decrease	1,936,936.77	4,144,731.15	31,331,376.27	4,003,894.72	41,416,938.91
(1) Disposal/ Scrapping	1,936,936.77	4,144,731.15	31,331,376.27	4,003,894.72	41,416,938.91
4. Closing balance	8,220,153,443.34	246,508,090.08	21,354,530,121.42	31,963,168.08	29,853,154,822.92
II. Accumulated depreciation					
1. Opening balance	861,276,258.73	123,348,225.80	5,340,663,239.78	17,564,262.94	6,342,851,987.25
2. Increase	210,696,050.95	36,824,921.08	1,394,773,951.15	2,542,784.62	1,644,837,707.80
(1) Accrual	210,696,050.95	36,824,921.08	1,394,773,951.15	2,542,784.62	1,644,837,707.80
3. Decrease	737,981.59	3,757,688.86	15,685,273.01	3,194,319.82	23,375,263.28
(1) Disposal/ Scrapping	737,981.59	3,757,688.86	15,685,273.01	3,194,319.82	23,375,263.28
4. Closing balance	1,071,234,328.09	156,415,458.02	6,719,751,917.92	16,912,727.74	7,964,314,431.77
III. Provision for impairment					
1. Opening balance	20,980,481.81	7,425.45	7,873,804.67	16,295.01	28,878,006.94
2. Increase					
(1) Accrual					
3. Decrease		312.71	103,645.20	16,295.01	120,252.92

Items	Buildings and structures	General equipment	Special equipment	Transport facilities	Total
(1) Disposal/ Scrapping		312.71	103,645.20	16,295.01	120,252.92
4. Closing balance	20,980,481.81	7,112.74	7,770,159.47		28,757,754.02
IV. Carrying amount					
1. Closing balance	7,127,938,633.44	90,085,519.32	14,627,008,044.03	15,050,440.34	21,860,082,637.13
2. Opening balance	6,244,030,088.81	93,922,301.63	10,176,234,567.92	9,680,900.17	16,523,867,858.53

(2) Fixed assets temporarily idle

Unit: RMB Yuan

Items	Cost	Accumulated depreciation	Provision for impairment	Carrying amount	Remarks
Buildings and structures	189,734,007.10	49,821,436.38	20,975,435.81	118,937,134.91	
General equipment	141,344.56	120,253.14	2,420.51	18,670.91	
Special equipment	444,193,028.21	367,833,612.52	6,562,447.84	69,796,967.85	
Subtotal	634,068,379.87	417,775,302.04	27,540,304.16	188,752,773.67	

(3) Fixed assets leased out under operating leases

Unit: RMB Yuan

Items	Closing carrying amount
Buildings and structures	31,057,650.27
Subtotal	31,057,650.27

(4) Fixed assets with certificate of titles being unsettled

Unit: RMB Yuan

Items	Carrying amount	Reasons for unsettlement
Buildings and structures	804,229,721.63	Relevant procedures have not yet been completed.
Subtotal	804,229,721.63	

(5) Impairment testing of fixed assets

□Applicable √Not applicable

13. Construction in progress

Unit: RMB Yuan

Items	Closing balance	Opening balance
Construction in progress	1,621,882,507.56	5,089,233,908.22
Total	1,621,882,507.56	5,089,233,908.22

(1) Details

Unit: RMB Yuan

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Methionine project with annual output of 0.25 million tons				2,389,822,701.74		2,389,822,701.74
Shangyu Industrial Park PPS Project				559,554,821.51		559,554,821.51
NH acid project				514,155,642.52		514,155,642.52
616 Joint Production Project				426,984,891.23		426,984,891.23
NBC and CLA projects of Zhejiang Pharmaceutical				120,581,503.32		120,581,503.32
Cogeneration Expansion Project				113,869,534.14		113,869,534.14
Shandong Industrial Park HA Project	601,552,381.89		601,552,381.89	94,672,989.28		94,672,989.28
F5 project				91,979,706.11		91,979,706.11
Shandong Industrial Park 603 Project				67,408,245.22		67,408,245.22
Daming Life and Health Industry Project	180,316,245.04		180,316,245.04	26,065,403.64		26,065,403.64
Workshop 617 West Project	40,846,076.50		40,846,076.50			
Series Aldehyde Switching Production Project of 1500 tons in Workshop 615	41,051,446.96		41,051,446.96			
Project A4	232,798,676.59		232,798,676.59			
Annual production capacity of 300 tons of ketone technology reform and production expansion project	30,141,232.47		30,141,232.47			
Process and legitimacy project with annual production capacity of 0.02 million of glufosinate ammonium chloride	29,410,485.13		29,410,485.13			
311 Workshop Phase II VA Expansion Project	21,645,004.53		21,645,004.53			
Public Multifunctional Productive Services Integrated Platform Construction Project	37,345,453.89		37,345,453.89			
Project with an annual production capacity of 30 tons of Apolyester	43,287,282.66		43,287,282.66			

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Multi-functional production workshop construction project	65,875,103.23		65,875,103.23			
Other piecemeal projects	297,613,118.67		297,613,118.67	684,138,469.51		684,138,469.51
Total	1,621,882,507.56		1,621,882,507.56	5,089,233,908.22		5,089,233,908.22

(2) Changes in significant projects

Unit: RMB Yuan

Projects	Budgets RMB 0000 Yuan	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance	Accumulated input to budget (%)	Completion percentage (%)	Accumulated amount of borrowing cost capitalization	Including: Amount of borrowing cost capitalization in current period	Annual capitalization rate	Fund source
Methionine project with annual output of 0.25 million ton	536,984.22	2,389,822,701.74	1,226,623,212.33	3,616,445,914.07			104.54	100				Raised funds
Shangyu Industrial Park PPS Project	70,900.00	559,554,821.51	57,817,679.52	617,372,501.03			87.07	100				Others
NH acid project	73,899.28	514,155,642.52	162,724,345.82	676,879,988.34			91.60	100				Others
616 Joint Production Project [Note 1]	77,213.69	426,984,891.23		426,098,091.74	886,799.49		97.93	100				Others
Shandong Industrial Park 603 Project [Note 2]	8,983.60	67,408,245.22		65,792,108.48	1,616,136.74		75.03	80				Others
NBC and CLA projects of Zhejiang Pharmaceutical [Note 3]	15,871.76	120,581,503.32	38,136,093.18	158,717,596.50			100.00	100				Others
Cogeneration Expansion Project	33,890.43	113,869,534.14	91,967,857.14	205,837,391.28			60.74	100				Others
Shandong Industrial Park HA Project	97,991.14	94,672,989.28	507,768,635.07	889,242.46		601,552,381.89	61.80	60				Others
F5 project	13,563.50	91,979,706.11	42,125,728.27	134,105,434.38			115.98	100				Others
Daming Life and Health Industry Project [Note 4]	76,203.56	26,065,403.64	154,250,841.40			180,316,245.04	79.17	79	4,394,033.27	90,277.72	2.50%	Others
Project A4	40,067.95		232,798,676.59			232,798,676.59	58.10	58				Others
Total	1,045,569.13	4,405,095,438.71	2,514,213,069.32	5,902,138,268.28	2,502,936.23	1,014,667,303.52	--	--	4,394,033.27	90,277.72	--	--

Note 1 :616 Joint Production Project was terminated due to a change in sub-project planning, and in the current period, metal hardware (nuts and bolts) for use amounting to 886,799.49 yuan.

Note 2: Shandong Industrial Park 603 Project was terminated due to a change in sub-project planning, and in the current period, metal hardware (nuts and bolts) for use amounting to 1,616,136.74 yuan.

Note 3: NBC and CLA projects of Zhejiang Pharmaceutical due to the change of the project content in the current period, and the budget has changed from RMB 135.55 million to RMB 158.72 million.

Note 3: Daming Life and Health Industry Project due to the change in the investment budget for the second phase of the current period, and the budget has changed from RMB 693.15 million to RMB 762.04million.

(3) Impairment testing of construction in progress

Applicable Not applicable

14. Right-of-use assets**(1) Details**

Unit: RMB Yuan

Items	Buildings and structures	Total
I. Cost		
1. Opening balance	3,573,327.02	3,573,327.02
2. Increase	5,007,666.62	5,007,666.62
(1) Leased in	5,007,666.62	5,007,666.62
3. Decrease	150,148.85	150,148.85
(1) Disposal	150,148.85	150,148.85
4. Closing balance	8,430,844.79	8,430,844.79
II. Accumulated depreciation		
1. Opening balance	743,190.65	743,190.65
2. Increase	1,234,171.43	1,234,171.43
(1) Accrual	1,234,171.43	1,234,171.43
3. Decrease	150,148.85	150,148.85
(1) Disposal	150,148.85	150,148.85
4. Closing balance	1,827,213.23	1,827,213.23
III. Carrying amount		
1. Closing balance	6,603,631.56	6,603,631.56
2. Opening balance	2,830,136.37	2,830,136.37

(2) Impairment testing of right-of-use assets□Applicable Not applicable**15. Intangible assets****(1) Details**

Unit: RMB Yuan

Items	Land use right	Patent right	Non-patented technology	Software	Total
I. Cost					
1. Opening balance	1,854,376,892.96	31,662,062.75	38,788,324.30	62,516,135.99	1,987,343,416.00
2. Increase	692,186,861.45	5,648,472.50	26,580,133.95	7,298,816.60	731,714,284.50
(1) Acquisition	692,186,861.45	5,648,472.50	26,580,133.95	2,409,010.51	726,824,478.41
(2) Internal R&D				4,889,806.09	4,889,806.09
3. Closing balance	7,351,154.19				7,351,154.19
(1) Disposal	7,351,154.19				7,351,154.19
4. Closing balance	2,539,212,600.22	37,310,535.25	65,368,458.25	69,814,952.59	2,711,706,546.31
II. Accumulated					

Items	Land use right	Patent right	Non-patented technology	Software	Total
amortization					
1. Opening balance	223,213,559.07	5,344,520.66	1,628,315.26	18,650,774.69	248,837,169.68
2. Increase	44,667,680.56	2,812,295.98	4,670,723.90	5,752,754.40	57,903,454.84
(1) Accrual	44,667,680.56	2,812,295.98	4,670,723.90	5,752,754.40	57,903,454.84
II. Accumulated amortization	2,594,832.03				2,594,832.03
4. Closing balance	2,594,832.03				2,594,832.03
4. Closing balance	265,286,407.60	8,156,816.64	6,299,039.16	24,403,529.09	304,145,792.49
III. Carrying amount					
1. Closing balance	2,273,926,192.62	29,153,718.61	59,069,419.09	45,411,423.50	2,407,560,753.82
2. Opening balance	1,631,163,333.89	26,317,542.09	37,160,009.04	43,865,361.30	1,738,506,246.32

At the balance sheet date, intangible assets formed through internal research and development account for 0.00% of total intangible assets.

16. Goodwill

(1) Cost

Unit: RMB Yuan

Investees or events resulting in goodwill	Opening balance	Increase		Decrease		Closing balance
		Business combination	Translation reserve	Disposal	Translation reserve	
Bardoterminal GmbH	2,134,185.59		125,442.24			2,259,627.83
NHU/CHR.OLESEN LATIN AMERICA A/S	3,622,704.97					3,622,704.97
Total	5,756,890.56		125,442.24			5,882,332.80

(2) Provision for impairment

Unit: RMB Yuan

Investees or events resulting in goodwill	Opening balance	Increase		Decrease		Closing balance
		Accrual	Translation reserve	Disposal	Translation reserve	
Bardoterminal GmbH	2,134,185.59		125,442.24			2,259,627.83
Total	2,134,185.59		125,442.24			2,259,627.83

17. Long-term prepayments

Unit: RMB Yuan

Items	Opening balance	Increase	Amortization	Other decrease	Closing balance
Decoration fees	8,149,891.98	1,519,112.24	3,325,788.71		6,343,215.51
Site leveling fees	16,221.60		16,221.60		
Catalysts	5,013,764.87	4,856,634.96	4,515,653.62		5,354,746.21
Total	13,179,878.45	6,375,747.20	7,857,663.93		11,697,961.72

18. Deferred tax assets and deferred tax liabilities**(1) Deferred tax assets before offset**

Unit: RMB Yuan

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	71,881,471.48	11,135,696.68	67,822,769.65	11,068,181.53
Unrealized profit from internal transactions	71,231,525.39	10,684,728.85	50,194,235.37	7,529,135.31
Deferred income	193,224,271.51	28,983,640.72	185,235,337.49	27,785,300.63
Difference in depreciation of fixed assets	287,023.76	43,053.56	22,863,701.57	3,429,555.24
Lease liabilities	2,822,404.05	423,360.61	2,924,244.46	438,636.67
Total	339,446,696.19	51,270,480.42	329,040,288.54	50,250,809.38

(2) Deferred tax liabilities before offset

Unit: RMB Yuan

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Difference due to one-off pre-tax deduction of fixed assets	1,575,781,538.31	247,043,712.25	1,468,559,836.57	232,654,485.84
Profit before tax of NHU (Hong Kong) Trading Co., Ltd.	164,156,999.23	24,623,549.88	297,747,945.27	44,662,191.79
usufructuary assets	2,630,791.48	394,618.72	2,791,860.28	418,779.04
Changes in fair value of trading financial instruments, derivative financial instruments	934,443.21	233,610.80		
Total	1,743,503,772.23	272,295,491.65	1,769,099,642.12	277,735,456.67

(3) Deferred tax assets or liabilities after offset

Unit: RMB Yuan

Items	Closing balance of deferred tax assets offset by deferred tax liabilities	Closing balance of deferred tax assets/ liabilities after offset	Opening balance of deferred tax assets offset by deferred tax liabilities	Opening balance of deferred tax assets/ liabilities after offset
Deferred tax assets	50,620,401.24	650,079.18	418,779.04	49,832,030.34
Deferred tax liabilities	50,620,401.24	221,675,090.41	418,779.04	277,316,677.63

(4) Details of unrecognized deferred tax assets

Unit: RMB Yuan

Items	Closing balance	Opening balance
Deductible temporary difference	436,744,796.84	511,910,785.90
Deductible losses	3,044,096,175.08	2,002,071,871.11
Total	3,480,840,971.92	2,513,982,657.01

(5) Maturity years of deductible losses of unrecognized deferred tax assets

Unit: RMB Yuan

Maturity years	Closing balance	Opening balance	Remarks
Year 2027	4,380,243.82	8,512,140.12	
Year 2028	34,126,279.57	35,469,296.06	
Year 2029	68,271,533.21	79,322,307.29	
Year 2030	232,539,024.92	255,397,416.94	
Year 2031	284,461,823.88	287,143,749.91	
Year 2032	1,081,974,270.06	1,336,226,960.79	
Year 2033	1,338,342,999.62		
Total	3,044,096,175.08	2,002,071,871.11	

19. Other non-current assets

Unit: RMB Yuan

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Pollution emission trading fees	15,360,572.70		15,360,572.70	16,250,239.11		16,250,239.11
Payments for coal quota	78,962,800.00		78,962,800.00	63,496,000.00		63,496,000.00
Prepayments for long-term assets	43,789,431.19		43,789,431.19	200,124,243.53		200,124,243.53
Total	138,112,803.89		138,112,803.89	279,870,482.64		279,870,482.64

20. Restrictions on assets as of the end of the reporting period

Unit: RMB Yuan

Items	Closing balance				Opening balance			
	Book balance	Carrying amount	Type of restriction	Restrictions	Book balance	Carrying amount	Type of restriction	Restrictions
Cash and bank balances	96,790,731.68	96,790,731.68	pledges	Banker's acceptance deposit	192,010,035.86	192,010,035.86	pledges	Banker's acceptance deposit
Notes receivable	94,097,743.14	94,097,743.14	pledges	Opening a pledge of banker's acceptances	233,192,351.27	233,192,351.27	pledges	Opening a pledge of banker's acceptances
Fixed assets	97,257,595.52	81,371,634.23	collateral	Mortgage to a bank for the purpose of obtaining a loan	91,819,126.30	79,692,425.35	collateral	Mortgage to a bank for the purpose of obtaining a loan
Intangible assets	10,301,747.64	10,301,747.64	collateral	Mortgage to a bank for the purpose of obtaining a loan	9,734,671.13	9,734,671.13	collateral	Mortgage to a bank for the purpose of obtaining a loan
Receivables financing	143,872,489.15	143,872,489.15	pledges	Opening a pledge of banker's acceptances	136,554,892.05	136,554,892.05	pledges	Opening a pledge of banker's acceptances
Total	442,320,307.13	426,434,345.84			663,311,076.61	651,184,375.66		

21. Short-term borrowings**(1) Details on categories**

Unit: RMB Yuan

Items	Closing balance	Opening balance
Guaranteed borrowings	12,686,706.84	22,643,974.95
Credit borrowings	1,223,001,356.06	1,673,729,466.06
Credit and guaranteed borrowings		150,000,000.00
Total	1,235,688,062.90	1,846,373,441.01

22. Notes payable

Unit: RMB Yuan

Categories	Closing balance	Opening balance
Bank acceptance	349,347,472.36	627,438,689.79
Total	349,347,472.36	627,438,689.79

23. Accounts payable**(1) Details**

Unit: RMB Yuan

Items	Closing balance	Opening balance
Materials and labor costs	692,476,954.09	735,579,156.33
Payments for engineering and equipment	1,238,481,643.96	1,439,879,280.16
Total	1,930,958,598.05	2,175,458,436.49

24. Contract liabilities

Unit: RMB Yuan

Items	Closing balance	Opening balance
Payments for goods received in advance	251,008,240.97	60,660,929.75
Total	251,008,240.97	60,660,929.75

25. Employee benefits payable**(1) Details**

Unit: RMB Yuan

Items	Opening balance	Increase	Decrease	Closing balance
I. Short-term employee benefits	386,391,911.86	1,875,062,996.26	1,843,181,704.24	418,273,203.88
II. Post-employment benefits – defined contribution plan		116,365,404.68	116,365,404.68	
Total	386,391,911.86	1,991,428,400.94	1,959,547,108.92	418,273,203.88

(2) Details of short-term employee benefits

Unit: RMB Yuan

Items	Opening balance	Increase	Decrease	Closing balance
1. Wage, bonus, allowance and subsidy	352,176,336.45	1,649,716,561.81	1,608,632,988.86	393,259,909.40
2. Employee welfare fund		91,748,297.85	91,748,297.85	
3. Social insurance premium		58,451,937.48	58,451,937.48	
Including: Medicare premium		52,084,723.85	52,084,723.85	
Occupational injuries premium		5,540,945.24	5,540,945.24	
Maternity premium		826,268.39	826,268.39	
4. Housing provident fund		58,157,341.48	58,157,341.48	
5. Trade union fund and employee education fund	34,215,575.41	16,988,857.64	26,191,138.57	25,013,294.48
Total	386,391,911.86	1,875,062,996.26	1,843,181,704.24	418,273,203.88

(3) Details of defined contribution plan

Unit: RMB Yuan

Items	Opening balance	Increase	Decrease	Closing balance
1. Basic endowment insurance premium		112,372,063.48	112,372,063.48	
2. Unemployment insurance premium		3,993,341.20	3,993,341.20	
Total		116,365,404.68	116,365,404.68	

26. Taxes and rates payable

Unit: RMB Yuan

Items	Closing balance	Opening balance
VAT	25,412,719.25	14,398,822.86
Enterprise income tax	205,149,607.58	141,076,919.30
Individual income tax withheld for tax authorities	12,600,229.27	6,871,930.23
Urban maintenance and construction tax	2,768,413.70	3,127,594.55
Land appreciation tax	19,557,360.54	7,963,404.79
Housing property tax	18,825,864.81	16,764,793.31
Land use tax	15,427,321.94	15,427,321.94
Education surcharge (local education surcharge)	2,052,563.31	2,568,164.96
Total	301,794,080.40	208,198,951.94

27. Other payables

Unit: RMB Yuan

Items	Closing balance	Opening balance
Other payables	53,671,773.90	67,351,740.34
Total	53,671,773.90	67,351,740.34

1) Categorized by nature

Unit: RMB Yuan

Items	Closing balance	Opening balance
Security deposits	22,235,033.12	26,917,823.16
Unpaid expenses payable	12,568,235.33	8,378,360.48
Temporary receipts payable	13,765,955.47	15,463,590.29
Earnest money for housing purchase (Boao NHU Resort Center)	600,000.00	100,000.00
Call loans		13,760,448.64
Others	4,502,549.98	2,731,517.77
Total	53,671,773.90	67,351,740.34

28. Non-current liabilities due within one year

Unit: RMB Yuan

Items	Closing balance	Opening balance
Long-term borrowings due within one year	1,562,730,340.48	2,591,558,912.13
Lease liabilities due within one year	1,662,118.19	128,794.09
Total	1,564,392,458.67	2,591,687,706.22

29. Other current liabilities

Unit: RMB Yuan

Items	Closing balance	Opening balance
Output VAT to be recognized	17,260,124.76	4,978,299.99
Total	17,260,124.76	4,978,299.99

30. Long-term borrowings

(1) Categories

Unit: RMB Yuan

Items	Closing balance	Opening balance
Mortgaged borrowings	26,217,293.08	31,590,890.00
Guaranteed borrowings	748,822,433.32	934,059,850.02
Credit borrowings	6,046,603,468.18	4,307,986,768.85
Total	6,821,643,194.58	5,273,637,508.87

31. Lease liabilities

Unit: RMB Yuan

Items	Closing balance	Opening balance
Unpaid lease payments	6,464,449.62	4,080,857.16
Add: Unrealized financing expenses	-1,224,313.19	-1,258,453.09
Total	5,240,136.43	2,822,404.07

32. Deferred income

Unit: RMB Yuan

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance
Government grants	1,083,159,222.41	106,142,187.78	123,715,135.70	1,065,586,274.49	The Company received government grants related to assets, which were amortized based on the depreciation progress of corresponding assets.
Total	1,083,159,222.41	106,142,187.78	123,715,135.70	1,065,586,274.49	--

33. Share capital

Unit: RMB Yuan

Items	Opening balance	Movements					Closing balance
		Issue of new shares	Bonus shares	Reserve transferred to shares	Others	Subtotal	
Total shares	3,090,907,356.00						3,090,907,356.00

34. Capital reserve

Unit: RMB Yuan

Items	Opening balance	Increase	Decrease	Closing balance
Share/capital premium	3,334,992,617.92			3,334,992,617.92
Other capital reserve	278,104,892.89	247,974.32		278,352,867.21
Total	3,613,097,510.81	247,974.32		3,613,345,485.13

Other remarks, including remarks on current movements and reasons for movements:

The increase in other capital surplus during the period was due to the change in the Company's share of net assets as a result of the increase in share-based payment and special reserve recognized by the Company's associate, Zhejiang Chunhui Environmental Protection Energy Co.

35. Treasury shares

Unit: RMB Yuan

Items	Opening balance	Increase	Decrease	Closing balance
Treasury shares	500,059,711.25			500,059,711.25
Total	500,059,711.25			500,059,711.25

35 Other comprehensive income (OCI)

Unit: RMB Yuan

Items	Opening balance	Current period cumulative						Closing balance
		Current period cumulative before income tax	Less: OCI previously recognized but transferred to profit or loss in current period	Less: OCI previously recognized but transferred to retained earnings in current period	Less: Income tax	Attributable to parent company	Attributable to non-controlling shareholders	
Items not to be reclassified subsequently to profit or loss	76,577,564.17	33,929,099.01				27,343,168.68	6,585,930.33	103,920,732.85
Including: Other comprehensive income to be transferred to profit or loss under equity method	506,954.43							506,954.43

Items	Opening balance	Current period cumulative					Attributable to non-controlling shareholders	Closing balance
		Current period cumulative before income tax	Less: OCI previously recognized but transferred to profit or loss in current period	Less: OCI previously recognized but transferred to retained earnings in current period	Less: Income tax	Attributable to parent company		
Translation reserves	76,070,609.74	33,929,099.01				27,343,168.68	6,585,930.33	103,413,778.42
Total	76,577,564.17	33,929,099.01				27,343,168.68	6,585,930.33	103,920,732.85

37. Special reserve

Unit: RMB Yuan

Items	Opening balance	Increase	Decrease	Closing balance
Work safety fund	26,196,894.55	85,571,248.53	50,907,324.32	60,860,818.76
Total	26,196,894.55	85,571,248.53	50,907,324.32	60,860,818.76

Other remarks, including remarks on current movements and reasons for movements:

According to the "enterprise safety production costs and the use of management practices," the production and storage of dangerous goods enterprises based on the actual business income of the previous year, the adoption of the regressive approach to the average monthly withdrawal in accordance with the following standards: 1) operating income of up to 10 million yuan, in accordance with 4.5%; 2) operating income of more than 10 million yuan to 100 million yuan, in accordance with 2.25% extraction; 3) operating income of more than 100 million to 1 billion yuan, in accordance with 0.55% extraction; 4) 0.2% for the part of business income exceeding RMB 1 billion.

According to the "Electricity production and supply enterprises," the production and storage of dangerous goods enterprises based on the actual business income of the previous year, the adoption of the regressive approach to the average monthly withdrawal in accordance with the following standards: 1) operating income of up to 10 million yuan, in accordance with 3%; 2) operating income of more than 10 million yuan to 100 million yuan, in accordance with 1.5% extraction; 3) 0.8% for the part of business income exceeding 100 million to 1 billion; 4) 0.6% for the part of business income exceeding RMB 1 billion.

38. Surplus reserve

Unit: RMB Yuan

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	1,444,414,900.05	101,038,777.95		1,545,453,678.00
Total	1,444,414,900.05	101,038,777.95		1,545,453,678.00

Other remarks, including remarks on current movements and reasons for movements:

In accordance with the Company Law of the People's Republic of China and the Company's Articles of Incorporation, the Company is required to set aside 10% of the net profit of the parent company as legal reserve, which may be discontinued when the accumulated legal reserve reaches 50% of the registered capital.

39. Undistributed profit

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Unallocated earnings at the end of the previous period before adjustment	15,823,725,913.44	14,152,465,528.17
Adjustments to total unappropriated earnings at the beginning of the period (increase +, decrease -)	18,898.47	10,266.08
Adjustment to unappropriated earnings at the beginning of the period	15,823,744,811.91	14,152,475,794.25

Items	Current period cumulative	Preceding period comparative
Add: Net profit attributable to owners of the parent company	2,704,238,767.54	3,620,280,626.51
Less: Appropriation of statutory surplus reserve	101,038,777.95	155,217,520.05
Dividend payable on ordinary shares	1,536,710,840.00	1,793,794,088.80
Closing balance	16,890,233,961.50	15,823,744,811.91

Details of undistributed profits at the beginning of adjustment period:

(1) Undistributed earnings at the beginning of the period increased by 18,898.47 yuan due to a change in accounting policy.

40. Operating revenue/Operating cost

Unit: RMB Yuan

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	14,959,309,948.92	10,035,023,830.93	15,845,200,012.28	10,001,085,469.78
Other operations	157,227,054.38	96,466,544.52	88,784,391.13	47,215,397.16
Total	15,116,537,003.30	10,131,490,375.45	15,933,984,403.41	10,048,300,866.94
Including: Revenue from contracts with customers	15,113,068,097.55	10,130,630,010.13	15,930,926,276.49	10,047,351,912.18

Whether the lower of audited net profit before deducting non-recurring profit or loss and that after deducting non-recurring profit or loss is negative?

Yes No

Details of revenue:

Unit: RMB Yuan

Categories of contracts	Revenue	Cost
By product		
Including:		
Nutrition	9,866,822,612.52	6,915,666,865.62
Flavor and fragrance	3,273,948,378.45	1,620,160,495.19
New materials	1,201,509,242.06	868,294,564.64
Others	770,787,864.52	726,508,084.68
Subtotal	15,113,068,097.55	10,130,630,010.13
By operating region		
Including:		
Domestic	7,315,209,831.02	5,237,146,850.50
Overseas	7,797,858,266.53	4,893,483,159.63
Subtotal	15,113,068,097.55	10,130,630,010.13
By revenue recognition time		
Including:		
Goods (transferred at a point in time)	15,113,068,097.55	10,130,630,010.13
By sales channel		
Including:		
Direct sales	4,139,781,225.12	2,816,367,295.07
Agent sales	10,973,286,872.43	7,314,262,715.06
Subtotal	15,113,068,097.55	10,130,630,010.13

Information related to performance obligations:

None.

Information related to transaction price allocated to the remaining performance obligations:

As of December 31, 2023 revenue corresponding to performance obligations for which the Company has entered into contracts but not yet performed or fulfilled amounted to 3,302.66 million yuan, of which, 3,302.66 million yuan is expected to be recognized as revenue in 2024.

41. Taxes and surcharges

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Urban maintenance and construction tax	36,193,464.64	28,607,303.93
Education surcharge (local education surcharge)	28,181,033.35	23,414,216.46
Housing property tax	46,262,946.80	42,350,007.42
Land use tax	42,541,470.88	23,119,509.04
Vehicle and vessel use tax	59,709.62	42,132.94
Stamp duty	11,682,808.90	7,321,346.91
Environmental protection tax	1,808,553.59	1,543,201.53
Land appreciation tax		510,626.40
Total	166,729,987.78	126,908,344.63

42. Selling expenses

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Employee benefits	78,293,653.26	62,762,141.59
Office expenses, business traveling expenses	32,438,096.50	19,775,799.86
Sales commission and customs declaration charges	26,768,204.05	20,869,486.43
Advertising and promotion expenses, business entertainment expenses	10,599,777.15	9,402,072.09
Others	10,217,082.90	9,448,119.50
Total	158,316,813.86	122,257,619.47

43. Administrative expenses

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Employee benefits	289,396,666.51	261,083,846.67
Depreciation, amortization of intangible assets	112,070,187.88	100,843,402.02
Office expenses, business traveling expenses	59,651,384.82	64,191,712.29
Business entertainment expenses	21,812,291.14	25,250,585.72
Consulting fees	16,308,436.60	17,492,615.79
Insurance premiums	15,294,561.41	14,142,873.77

Items	Current period cumulative	Preceding period comparative
Disability Employment Guarantee Fund	15,189,147.67	10,343,725.70
Others	21,349,615.96	11,325,968.73
Total	551,072,291.99	504,674,730.69

44. R&D expenses

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Employee benefits	400,415,932.53	416,805,732.59
Direct input	321,079,990.14	289,342,939.10
Depreciation, amortization of intangible assets	80,744,547.58	68,939,590.01
Outsourcing expenses	55,869,894.26	42,655,069.34
Office expenses, business traveling expenses	14,660,221.42	24,753,637.81
Others	15,030,889.09	16,448,437.28
Total	887,801,475.02	858,945,406.13

44. Financial expenses

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Interest expenses	319,906,196.30	329,243,757.49
Less: Interest income	133,145,750.15	153,449,422.80
Losses on foreign exchange (or less: gains)	-128,139,758.40	-140,824,825.49
Others	6,829,825.20	9,432,268.93
Total	65,450,512.95	44,401,778.13

46. Other income

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Government grants related to assets	123,715,135.70	100,000,509.62
Government grants related to income	64,789,047.78	75,760,610.32
Value-added tax credits	12,067,795.91	
Refund of handling fees for withholding individual income tax	1,516,543.14	1,102,494.25
Total	202,088,522.53	176,863,614.19

47. Investment income

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	44,130,854.54	95,616,385.10
Investment income from disposal of financial instruments	4,526,003.79	-20,658,819.12
Dividend income earned on investments in other equity instruments during the holding period	24,473,000.00	

Items	Current period cumulative	Preceding period comparative
Gain on debt restructuring	-847,442.05	
Interest on discounted bills	-2,409,421.07	
Investment income from bank financial products and structured deposits	12,715,401.91	52,749,284.13
Interest income from split loans	465,887.82	988,193.62
Total	83,054,284.94	128,695,043.73

48. Gains on changes in fair value

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Held-for-trading financial assets	44,460,570.82	27,222,640.33
Including: Gains on changes in fair value arising from financial assets classified as at fair value through profit or loss	44,460,570.82	27,222,640.33
Held-for-trading financial liabilities	-14,528,085.84	-93,544,424.05
Including: Gains on changes in fair value arising from financial liabilities classified as at fair value through profit or loss	-14,528,085.84	-93,544,424.05
Total	29,932,484.98	-66,321,783.72

49. Credit impairment loss

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Bad debts	3,551,588.16	5,165,584.15
Total	3,551,588.16	5,165,584.15

50. Assets impairment loss

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Inventory write-down loss	-230,600,448.22	-162,974,265.12
Total	-230,600,448.22	-162,974,265.12

51. Gains on asset disposal

Unit: RMB Yuan

Sources	Current period cumulative	Preceding period comparative
Gains on disposal of non-current assets	16,404,163.69	2,726,604.77
Total	16,404,163.69	2,726,604.77

52. Non-operating revenue

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Indemnity income	6,995,674.96	4,412,772.54	6,995,674.96
Gains on damage or retirement of non-current assets	433,987.27		433,987.27

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Others	501,473.33	572,451.80	501,473.33
Total	7,931,135.56	4,985,224.34	7,931,135.56

53. Non-operating expenditures

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Losses on damage or retirement of non-current assets	10,977,630.48	76,959,122.65	10,977,630.48
Donation expenditures	1,709,683.40	1,598,510.79	1,709,683.40
Others	1,815,424.73	975,097.47	1,815,424.73
Total	14,502,738.61	79,532,730.91	14,502,738.61

54. Income tax expenses

(1) Details

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	534,585,273.11	452,277,073.04
Deferred income tax expenses	-6,459,636.06	147,548,801.01
Total	528,125,637.05	599,825,874.05

(2) Reconciliation of accounting profit to income tax expenses

Unit: RMB Yuan

Items	Current period cumulative
Profit before tax	3,253,534,539.28
Income tax expenses based on statutory/applicable tax rate	488,030,180.89
Effect of different tax rate applicable to subsidiaries	76,435,219.99
Effect of prior income tax reconciliation	-3,844,619.95
Effect of non-taxable income	-11,419,236.74
Effect of non-deductible costs, expenses and losses	1,970,798.64
Effect of utilization of deductible losses not previously recognized as deferred tax assets	-3,245,917.71
Effect of deductible temporary differences or deductible losses not recognized as deferred tax assets in the current period	124,744,929.03
Effect of extra deduction of R&D expenses	-133,428,470.46
Additional deduction for wages paid for the placement of disabled persons and other employment encouraged by the state	-304,786.42
Reduction of taxable amount for specialized equipment for environmental protection, energy and water conservation and safe production	-10,812,460.22
Income tax expenses	528,125,637.05

55. Other comprehensive income

Please refer to item VII 36 of this section for details.

56. Notes to items of the cash flow statement

(1) Cash related to operating activities

Other cash receipts related to operating activities

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Interest income from cash in bank	133,145,750.15	153,449,422.80
Receipt of government grants	171,654,889.48	195,220,666.19
Recovery of temporary borrowings and security deposits	19,497,545.66	19,779,291.72
Receipt of temporary receipts payable	1,440,627.59	4,578,466.46
Other receipts and net current accounts	14,644,686.92	5,220,974.95
Total	340,383,499.80	378,248,822.12

Other cash payments related to operating activities

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
R&D expenditures in the form of cash	78,682,491.15	83,857,144.43
Office expenses and business traveling expenses	83,191,829.19	83,967,512.15
Advertising and promotion expenses, business entertainment expenses	32,412,068.29	34,652,657.81
Sales commission and customs declaration charges	26,768,204.05	20,869,486.43
Insurance expenses	15,702,592.83	14,769,418.13
Consulting fees	16,308,436.60	17,492,615.79
Other payments and net current accounts	62,670,912.99	34,257,491.06
Total	315,736,535.10	289,866,325.80

(2) Cash related to investing activities

Other cash receipts related to investing activities

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Redemption of financial products	720,000,000.00	1,800,000,000.00
Cash obtained from subsidiaries on the consolidation date		14,761,216.04
Receipt of demobilized loans and interest	21,564,394.06	771,074.45
Recovery of land deposit	88,796,037.50	5,084,750.00
Redemption of financial assets for trading	392,525.96	
Total	830,752,957.52	1,820,617,040.49

Other cash payments related to investing activities

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Payments for losses on forward foreign exchange settlement		86,558,820.03
Payments for purchase of financial products and structured deposits	145,000,000.00	720,000,000.00
Debit and credit principal (finance)		20,881,387.07
Total	145,000,000.00	827,440,207.10

(3) Cash related to financing activities

Other cash receipts related to financing activities

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Cash received form loans		11,188,800.91
Total		11,188,800.91

Other cash payments related to financing activities

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Payments for bank financing handling charges	2,048,045.72	4,010,015.77
Payments of handling charges for issuing letters of guarantee for borrowings	200,900.43	576,792.00
Repayments of principal and interest of leases	1,377,634.28	545,623.09
Repurchase of treasury shares		179,698,926.77
Repayments of call loans and interest	13,760,448.64	185,842.44
Total	17,387,029.07	185,017,200.07

Changes in liabilities arising from financing activities

□Applicable √ Not applicable

57. Supplement information to the cash flow statement**(1) Supplement information to the cash flow statement**

Unit: RMB Yuan

Supplement information	Current period cumulative	Preceding period comparative
I. Reconciliation of net profit to cash flows from operating activities:		
Net profit	2,725,408,902.23	3,638,277,074.80
Add: Provision for assets impairment loss	227,048,860.06	157,808,680.97
Depreciation of fixed assets, oil and gas assets, productive biological assets	1,644,749,644.57	1,346,707,461.57
Depreciation of right-of-use assets	1,234,171.43	460,187.61
Amortization of intangible assets	57,903,454.84	43,000,548.86
Amortization of long-term prepayments	7,857,663.93	6,626,543.66
Losses on disposal of fixed assets, intangible assets and other long-term assets (Less: gains)	-16,404,163.69	-2,726,604.77
Fixed assets retirement loss (Less: gains)	10,977,630.48	76,959,122.65
Losses on changes in fair value (Less: gains)	-29,932,484.98	66,321,783.72
Financial expenses (Less: gains)	260,056,823.19	346,183,580.90
Investment losses (Less: gains)	-83,054,284.94	-128,695,043.73
Decrease of deferred tax assets (Less: increase)	49,181,951.16	5,983,427.69
Increase of deferred tax liabilities (Less: decrease)	-55,641,587.22	141,565,373.32
Decrease of inventories (Less:	-401,782,933.20	-1,104,802,476.55

Supplement information	Current period cumulative	Preceding period comparative
increase)		
Decrease of operating receivables (Less: increase)	112,781,434.03	-486,206,139.60
Increase of operating payables (Less: decrease)	574,321,857.22	240,512,886.47
Others	34,663,924.21	13,504,676.04
Net cash flows from operating activities	5,119,370,863.32	4,361,481,083.61
2. Significant investing and financing activities not related to cash receipts and payments:	--	--
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets leased in under finance leases		
3. Net changes in cash and cash equivalents:	--	--
Cash at the end of the period	4,446,570,415.30	5,151,841,931.86
Less: Cash at the beginning of the period	5,151,841,931.86	5,714,537,538.23
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	-705,271,516.56	-562,695,606.37

(2) Composition of cash and cash equivalents

Unit: RMB Yuan

Items	Closing balance	Opening balance
I. Cash	4,446,570,415.30	5,151,841,931.86
Including: Cash on hand	21,747.98	16,584.59
Cash in bank on demand for payment	4,445,046,788.85	5,151,816,943.29
Other cash and bank balances on demand for payment	1,501,878.47	8,403.98
II. Cash and cash equivalents at the end of the period	4,446,570,415.30	5,151,841,931.86

(3) Restricted use but still cash and cash equivalents presentation

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative	Reasons for remaining cash and cash equivalents
Cash and bank balances	89,207,212.60	62,426,363.92	Currency funds held abroad
	353,268,853.53	1,087,813,736.45	raise funds
Total	442,476,066.13	1,150,240,100.37	

(4) Monetary funds other than cash and cash equivalents

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative	Reasons for not being cash and cash equivalents
Cash and bank balances	77,905,369.24	147,608,293.24	Banker's acceptance deposit
	12,048,779.84	42,310,180.59	Letter of Credit Deposit

Items	Current period cumulative	Preceding period comparative	Reasons for not being cash and cash equivalents
	3,929,600.00		customs Deposit
	853,216.21	851,288.54	Project works labor wage deposit
	870,050.56	863,937.05	Safety Construction deposit
	661,215.83	359,836.44	Water deposit
	500,000.00		Letter of Guarantee Deposit
	22,500.00	16,500.00	ETC Deposit
Total	96,790,731.68	192,010,035.86	

(5) Changes in liabilities related to financing activities

Unit: RMB Yuan

Items	Opening balance	Increase		Decrease		Closing balance
		Cash movements	Non-cash changes	Cash movements	Non-cash changes	
Short-term borrowings	1,846,373,441.01	2,524,318,716.61	180,714,509.33	3,315,718,604.05		1,235,688,062.90
Long-term borrowings(including long-term loans due within one year)	7,865,196,421.00	3,472,000,000.00	226,690,484.72	3,179,513,370.66		8,384,373,535.06
Lease liabilities(including lease liabilities due within one year)	2,951,198.16		5,316,785.99	1,365,729.53		6,902,254.62
dividend payable			1,536,710,840.00	1,536,710,840.00		
Other accounts payable	13,760,448.64		17,119,783.68	16,021,299.54		14,858,932.78
Total	9,728,281,508.81	5,996,318,716.61	1,966,552,403.72	8,049,329,843.78		9,641,822,785.36

(6) Net presentation of cash flows

The cash flows related to the Company's investment business are the cash inflows and outflows of fast-turnover, large-amount, and short-term projects, and the presentation of the above cash flows on a net basis is more indicative of their impact on the Company's ability to pay and solvency, and is more useful for evaluating the Company's ability to pay and solvency, and for analyzing the Company's future cash flows, therefore the Company has presented the relevant cash flows generated from the above business on a net basis. If the cash flows related to the above operations were presented in gross amount, it would have the following effects on the Company's statement of cash flows:

Unit: RMB Yuan

Items	Current period Increase	Preceding period Decrease
Other cash receipts related to investing activities	780,000,000.00	2,360,000,000.00
Other cash payments related to investing activities	780,000,000.00	2,360,000,000.00

58. Monetary items in foreign currencies

(1) Details

Unit: RMB Yuan

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent at the end of the period
Cash and bank balances			261,440,683.90
Including: USD	23,461,576.73	7.082700	166,171,309.51
EUR	10,000,174.05	7.859200	78,593,367.89
HKD	1,158,588.73	0.906220	1,049,936.28
JPY	114,143,704.00	0.050213	5,731,497.81
GBD	52,800.00	9.041100	477,370.08
BRL	3,678,729.59	1.465800	5,392,281.83
MXN	5,642,451.26	0.418150	2,359,390.99
PLN	63,869.83	1.810700	115,649.10
SGD	288,231.87	5.377200	1,549,880.41
Accounts receivable			1,636,224,261.82
Including: USD	195,098,102.35	7.082700	1,381,821,329.51
EUR	23,097,400.95	7.859200	181,527,093.55
HKD			
GBD	135,840.00	9.041100	1,228,143.02
BRL	48,879,585.03	1.465800	71,647,695.74
Long-term borrowings			26,217,293.08
Including: USD			
EUR	3,335,873.00	7.859200	26,217,293.08
HKD			
Other receivables			55,989,930.15
Including: EUR	2,824,911.31	7.859200	22,201,542.97
HKD	31,700.00	0.906220	28,727.17
BRL	7,521,444.45	1.465800	11,024,933.27
MXN	53,092,424.90	0.418150	22,200,597.47
SGD	99,332.23	5.377200	534,129.27
Short-term borrowings			37,653,068.50
Including: EUR	3,882,267.31	7.859200	30,511,515.24
DKK	6,778,239.62	1.053600	7,141,553.26
Accounts payable			57,094,927.48
Including: USD	1,837,294.71	7.082700	13,013,007.24
EUR	5,245,715.20	7.859200	41,227,124.90
BRL	1,298,365.36	1.465800	1,903,143.94
MXN	2,275,861.30	0.418150	951,651.40
Other payables			13,002,300.00
Including: USD	703,115.11	7.082700	4,979,953.39
EUR	1,006,433.38	7.859200	7,909,761.22
HKD	28,430.00	0.906220	25,763.83
DKK	12,990.00	1.053600	13,686.26
SGD	13,601.00	5.377200	73,135.30
Non-current liabilities due within one year			7,946,786.52
Including: EUR	961,662.00	7.859200	7,557,893.99
BRL	265,310.77	1.465800	388,892.53
Lease liabilities			838,658.99
Including: BRL	572,151.04	1.465800	838,658.99

59. Leasing

(1) The Company as a lessee

Applicable Not applicable

Variable lease payments not included in the measurement of lease liabilities

Applicable Not applicable

Lease costs for short-term leases or low-value assets with simplified treatment

Applicable Not applicable

Situations involving sale and leaseback transactions

1) Information on right-to-use assets Please refer to item VII 14 of this section for details

2) The Company's accounting policies for short-term leases and leases of low-value assets Please refer to item V 27 of this section for details. The amounts of short-term lease charges and lease charges for low-value assets recognized in profit or loss are as follows:

Unit: RMB Yuan

Items	Current period Increase	Preceding period Decrease
Short-term rental costs	6,542,273.66	1,960,380.62
Total	6,542,273.66	1,960,380.62

3) Current profit or loss and cash flows related to leases

Unit: RMB Yuan

Items	Current period Increase	Preceding period Decrease
Interest expense on lease liabilities	270,011.27	149,348.03
Total cash outflows related to leases	8,312,444.36	2,682,437.97

4) The maturity analysis of lease liabilities and the corresponding liquidity risk management Please refer to item XII 1 of this section for details.

(2) The Company as lessor

Operating leases as lessor

Applicable Not applicable

Unit: RMB Yuan

Items	Rental income	Of which: Income related to variable lease payments not included in lease receipts
Rental income	3,468,905.75	
Total	3,468,905.75	

Financial leases as lessor

Applicable Not applicable

Undiscounted lease receipts for each of the next five years

Applicable Not applicable

Unit: RMB Yuan

Items	Annual undiscounted lease receipts	
	Closing balance	Opening balance
First year	349,330.00	1,642,344.00
second year	41,520.00	620,000.00
Total undiscounted lease receipts after five years	390,850.00	2,262,344.00

VIII. R&D expenses

Unit: RMB Yuan

Items	Current period Increase	Preceding period Decrease
Employee benefits	400,415,932.53	416,805,732.59
Direct input	321,079,990.14	289,342,939.10
Depreciation, amortization of intangible assets	80,744,547.58	68,939,590.01
Outsourcing expenses	55,869,894.26	42,655,069.34
Office expenses, business traveling expense	14,660,221.42	24,753,637.81
Others	15,030,889.09	16,448,437.28
Employee benefits	887,801,475.02	858,945,406.13
Of which: Expensed research and development expenditure	887,801,475.02	858,945,406.13

IX. Changes in the scope of consolidation**1. Business combinations not under the same control****(1) Non-common control business combinations occurring during the period**

Unit: RMB Yuan

Name of the purchased party	Point of acquisition	Cost of equity acquisition	Percentage of equity acquisition	Methods of equity acquisition	purchase date	Basis for determining the purchase date	Revenue of the purchased party from the purchase date to the end of the period	Net profit of the purchased party at the end of the period from the date of purchase to the end of the period	Cash flows of the purchased party at the end of the period from the purchase date to the end of the period
Shandong New Shuang'an Biotechnology Co., Ltd	September 20, 2023	100,000.00	100.00%	acquire	September 20, 2023	Completion of business registration	0.00	82.35	86.68

Other remarks:

Pursuant to the Equity Transfer Agreement entered into between the subsidiary Shandong NHU Amino Acid Co., Ltd and Chenhui Environmental Protection Technology Co., Ltd on September 12, 2023, the Company acquired 100% equity interest in Shandong Shandong New Shuang'an Biotechnology Co., Ltd held by Chenhui Environmental Protection Technology Co., Ltd at a consideration of RMB100,000.00. Shandong New Shuang'an Biotechnology Co., Ltd. completed its business registration on September 20, 2023, so it was included in the scope of the consolidated financial statements from September 2023 onwards.

(2) Merger costs and goodwill

Unit: RMB Yuan

Combination cost	Shandong New Shuang'an Biotechnology Co., Ltd.
Cash	100,000.00
-- Fair value of non-cash assets	
-- Fair value of debt issued or assumed	
-- Fair value of equity securities issued	
-- Fair value of contingent consideration	
- - Fair value at the date of purchase of equity interests held prior to the date of purchase	

Combination cost	Shandong New Shuangan Biotechnology Co., Ltd.
--Other	
Total consolidated costs	100,000.00
Less: Share of fair value of net identifiable assets acquired	100,000.00
Amount by which goodwill/cost of consolidation is less than share of fair value of identifiable net assets acquired	

(3) Identifiable assets and liabilities of the acquiree on the acquisition date

Unit: RMB Yuan

Item	Shandong New Shuangan Biotechnology Co., Ltd.	
	Fair value on the purchase date	Book value on the purchase date
assets	100,000.00	100,000.00
Cash and bank balances	100,000.00	100,000.00
Accounts receivable		
Inventories		
Fixed assets		
Intangible assets		
Debt:		
Borrowings		
Accounts payable		
Deferred income tax liabilities		
Equity:	100,000.00	100,000.00
Less: Non-controlling interest		
Net assets acquired	100,000.00	100,000.00

X. Interest in other entities**1. Interest in subsidiaries****(1) Composition of the group**

Subsidiaries	registered capital	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
					Direct	Indirect	
NHU (Hong Kong) Trading Co., Ltd.	US2.40millions	Hong Kong, China	Hong Kong, China	Commerce	100.00%	0.00%	Establishment
Shandong NHU Amino-acids Co., Ltd.	1,100million(yuan)	Weifang, Shandong	Weifang, Shandong	Manufacturing	100.00%	0.00%	Establishment
Heilongjiang NHU Biotechnology Co., Ltd.	700millions(yuan)	Suihua, Heilongjiang	Suihua, Heilongjiang	Manufacturing	100.00%	0.00%	Establishment

2. Interests in joint arrangements or associates**(1) Aggregated financial information of insignificant joint ventures and associates**

Unit: RMB Yuan

Item	Closing balance/ Current period cumulative	Opening balance/ Preceding period comparative
Joint ventures:		
Total carrying amount of investments	216,166,978.49	
Total of the following by percentage of shareholding		
-- Net profit	-17,341,021.51	
-- Other comprehensive income		
-- Total comprehensive income	-17,341,021.51	
Associates:		
Total carrying value of investments	480,978,221.59	432,503,568.48
Total of the following by percentage of shareholding		
-- Net profit	43,633,175.81	73,574,436.65
-- Other comprehensive income	841,477.30	7,601,506.08
-- Total comprehensive income	44,474,653.11	81,175,942.73

XI. Government grants

1. Government grants recognized at the end of the reporting period at the amount receivable

Applicable Not applicable

Reasons for not receiving the projected amount of government grants at the projected point in time

Applicable Not applicable

2. New government subsidies during the period

Unit: RMB Yuan

Item	Amount of new grants for the period
Government grants related to assets	106,142,187.78
including: charged to deferred income	106,142,187.78
Government grants related to income	64,806,739.10
including: charged to other gains	64,806,739.10
fiscal subsidy	2,444,444.44
including: Elimination of construction in progress	2,444,444.44
Total	173,393,371.32

3. Government grants related to assets

Applicable Not applicable

Unit: RMB Yuan

Item	Opening balance	Increase	non-operating income	Decrease	other	Closing balance	Asset/revenue related
Deferred income	1,083,159,222.41	106,142,187.78		123,715,135.70		1,065,586,274.49	Asset-related

4. Government grants related to income

Applicable Not applicable

Unit: RMB Yuan

Item	Current period Increase	Preceding period Decrease
Government grants related to income	188,504,183.48	175,761,119.94

5. Government grants returned

Unit: RMB Yuan

Item	refund	Reason for return
Chemical Industry Transformation and Upgrading 2.0 Intelligent Transformation Project Incentives	16,191.32	Government duplicate encashment returned
stable employment subsidy	1,500.00	Ineligible for grants
Tota	17,691.32	

XII. Risks related to financial instruments

1. Various types of risks arising from financial instruments

In risk management, the Company aims 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, so as to maximize the profits of shareholders and other equity investors. Based on such risk management objectives, the Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits on a timely and reliable basis.

The Company has exposure to the following risks from its use of financial instruments, which mainly include: credit risk, liquidity risk, and market risk. The Management has deliberated and approved policies concerning such risks, and details are:

(I) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

1. Credit risk management practice

(1) Evaluation method of credit risk

At each balance sheet date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When assessing whether the credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information, which is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk rating, and forward-looking information. The Company determines the changes in default risk of financial instruments during the estimated lifetime through comparison of the default risk at the balance sheet date and the initial recognition date, on an individual basis or a collective basis.

The Company considers the credit risk on a financial instrument has increased significantly when one or more of the following qualitative and quantitative standards are met:

1) Quantitative standard mainly relates to the scenario in which, at the balance sheet date, the probability of default in the remaining lifetime has risen by more than a certain percentage compared with the initial recognition;

2) Qualitative standard mainly relates to significant adverse changes in the debtor's operation or financial position, present or expected changes in technology, market, economy or legal environment that will have significant adverse impact on the debtor's repayment ability.

(2) Definition of default and credit-impaired assets

A financial instrument is defined as defaulted when one or more following events have occurred, of which the standard is consistent with that for credit-impairment:

- 1) significant financial difficulty of the debtor;
- 2) a breach of binding clause of contract;
- 3) it is very likely that the debtor will enter bankruptcy or other financial reorganization;

4) the creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor would not otherwise consider.

2. Measurement of expected credit losses

The key factors in the measurement of expected credit loss include the probability of default, loss rate of default, and exposure to default risk. The Company develops a model of the probability of default, loss rate of default, and exposure to default risk on the basis of quantitative analysis of historical data (e.g. counterparty rating, guarantee measures and collateral type, payment method, etc.) and forward-looking information.

3. Please refer to item VII 3、4、5、 and 7 of this section for details on the reconciliation table of opening balance and closing balance of provision for losses of financial instrument.

4. Exposure to credit risk and concentration of credit risk

The Company's credit risk is primarily attributable to cash and bank balances and receivables. In order to control such risks, the Company has taken the following measures:

(1) Cash and bank balances

The Company deposits its bank balances and other cash and bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

(2) Receivables

The Company performs credit assessment on customers using credit settlement on a continuous basis. The Company selects credible and well-reputed customers based on credit assessment result, and conducts ongoing monitoring on balance of receivables, to avoid significant risks in bad debts.

As the Company only conducts business with credible and well-reputed third parties, collateral is not required from customers. The Company manages credit risk aggregated by customers. As of December 31, 2023, the Company has certain concentration of credit risk, and 22.95% (December 31, 2022: 29.31%) of the total accounts receivable was due from the five largest customers of the Company. The Company held no collateral or other credit enhancement on balance of receivables.

The maximum amount of exposure to credit risk of the Company is the carrying amount of each financial asset at the balance sheet.

(II) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparties of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

In order to control such risk, the Company comprehensively utilized financing tools such as notes settlement, bank borrowings, etc. and adopts long-term and short-term financing methods to optimize financing structures, and finally maintains a balance between financing sustainability and flexibility. The Company has obtained credit limit from several commercial banks to meet working

capital requirements and expenditures.

Financial liabilities classified based on remaining time period till maturity

Unit: RMB Yuan

Items	December 31, 2023				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Bank borrowings	9,620,061,597.96	10,115,809,381.27	3,052,860,592.80	6,305,307,508.57	757,641,279.90
Notes payable	349,347,472.36	349,347,472.36	349,347,472.36		
Accounts payable	1,930,958,598.05	1,930,958,598.05	1,930,958,598.05		
Other payables	53,671,773.90	53,671,773.90	53,671,773.90		
Lease liabilities	6,902,254.62	8,401,587.43	1,937,137.81	3,097,878.18	3,366,571.44
Subtotal	11,960,941,696.89	12,458,188,813.01	5,388,775,574.92	6,308,405,386.75	761,007,851.34

(Continued)

Unit: RMB Yuan

Items	December 31, 2022				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Bank borrowings	9,711,569,862.01	10,221,836,453.80	4,703,403,806.64	5,017,998,789.29	500,433,857.87
Notes payable	627,438,689.79	627,438,689.79	627,438,689.79		
Accounts payable	2,175,458,436.49	2,175,458,436.49	2,175,458,436.49		
Other payables	67,351,740.34	67,351,740.34	67,351,740.34		
Lease liabilities	2,951,198.16	4,345,952.05	265,094.89	714,285.72	3,366,571.44
Subtotal	12,584,769,926.79	13,096,431,272.47	7,573,917,768.15	5,018,713,075.01	503,800,429.31

(III) Market risk

Market risk is the risk that the Company may encounter fluctuation in fair value or future cash flows of financial instruments due to changes in market price. Market risk mainly includes interest risk and foreign currency risk.

1. Interest risk

Interest risk is the risk that an enterprise may encounter fluctuation in fair value or future cash flows of financial instruments due to changes in market interest. The Company's fair value interest risks arise from fixed-rate financial instruments, while the cash flow interest risks arise from floating-rate financial instruments. The Company determines the proportion of fixed-rate financial instruments and floating-rate financial instruments based on the market environment, and maintains a proper financial instruments portfolio through regular review and monitoring. The Company's interest risk in cash flows relates mainly to bank borrowings with floating interest rate.

As of December 31, 2023, balance of borrowings with interest accrued at floating interest rate totaled 9,620.06 million yuan (December 31, 2022: 9,711.57 million yuan). If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit before tax and equity will not be significantly affected.

2. Foreign currency risk

Foreign currency risk is the risk arising from changes in fair value or future cash flows of financial instrument resulted from changes in exchange rate. The Company's foreign currency risk relates mainly to foreign currency monetary assets and liabilities.

When short-term imbalance occurred to foreign currency assets and liabilities, the Company may trade foreign currency at market exchange rate when necessary, in order to maintain the net risk exposure within an acceptable level.

Please refer to item VII 58(1) of the notes to the financial statements for details on foreign currency financial assets and liabilities at the end of the period.

2. Hedging

(1) The Company conducts hedging business for risk management.

Applicable Not applicable

1) During the period under review, the Company carried out foreign exchange hedging business, using forward settlement and other derivative contracts as hedging instruments, and some of the expected purchases and sales transactions involving foreign exchange cash flows as hedged items, as a means of hedging the risk of fluctuations in expected future cash flows arising from expected purchases and sales borne by the Company as the prices in the foreign exchange market fluctuate.

2) During the period under review, the Company conducted foreign exchange hedging business, using forward settlement and other derivative contracts as hedging instruments and certain foreign exchange deposits as hedged items, as a means of hedging the Company's exposure to the risk of fluctuations in existing foreign exchange deposits in response to fluctuations in foreign exchange market prices.

(2) The Company conducts eligible hedging operations and applies hedge accounting

Applicable Not applicable

(3) The Company conducts hedging operations for risk management and expects to achieve its risk management objectives, but does not apply hedge accounting

Applicable Not applicable

Items	Reasons for not applying hedge accounting	Effect on the financial statements
foreign exchange swap (FX) contract	The Company extensively uses foreign exchange forward contracts and other tools for foreign exchange risk management between USD, EUR, CNY, and JPY on a global scale; because there is a certain offsetting relationship between the exchange rate changes between different currencies, which can, to a certain extent, have the same effect as that of hedge accounting, hedge accounting has not been applied.	Derivative financial assets:28,056,050.95yuan Investment income:4,525,080.17yuan Gains on changes in fair value:29,932,484.98yuan

3. Financial assets

(1) Classification of transfer methods

Applicable Not applicable

Unit: RMB Yuan

Items	Nature of financial assets transferred	Amount of financial assets transferred	Status of derecognition	Basis for determining derecognition
endorsements	Receivables financing	1,611,058,204.23	Full derecognition	The main risks and rewards, such as the related interest rate risk and credit risk, have been transferred to banks and third parties

Items	Nature of financial assets transferred	Amount of financial assets transferred	Status of derecognition	Basis for determining derecognition
discounted	Receivables financing	572,883,974.83	Full derecognition	The main risks and rewards, such as the related interest rate risk and credit risk, have been transferred to banks and third parties
total		2,183,942,179.06		

(2) Financial assets derecognized due to transfers

Applicable Not applicable

Unit: RMB Yuan

Items	Modalities for the transfer of financial assets	Amount of financial assets derecognized	Gains or losses related to derecognition
Receivables financing	Endorsements/ discounted	2,183,942,179.06	-2,409,421.07
total		2,183,942,179.06	-2,409,421.07

XIII. Fair value disclosure**1. Details of fair value of assets and liabilities at fair value at the balance sheet date**

Unit: RMB Yuan

Items	Fair value as at the balance sheet date			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurement	--	--	--	--
1. Held-for-trading financial assets and other non-current financial assets		28,056,050.95	145,000,000.00	173,056,050.95
Capital Protected Floating Income Financial Products			145,000,000.00	145,000,000.00
derivative financial asset		28,056,050.95		28,056,050.95
Receivables financing			331,634,090.61	331,634,090.61
Other equity instrument investments			22,998,147.55	22,998,147.55
Total liabilities at recurring fair value measurement		28,056,050.95	499,632,238.16	527,688,289.11
II. Discontinued fair value measurements	--	--	--	--

2. Qualitative and quantitative information of valuation technique(s) and key input(s) for level 2 fair value at recurring and non-recurring fair measurement

Fair value was determined at forward exchange rate published by Bank of China Limited at the balance sheet date.

3. Qualitative and quantitative information of valuation technique(s) and key input(s) for level 3 fair value at recurring and non-recurring fair measurement

1. Fair value of short-term financial products with guaranteed principal and floating income and structured deposits was determined

based on their par value.

2. Fair value of bank acceptance was determined based on its par value.

3. As there is no significant change in the operating environment, operating condition and financial position of the invested entities Zhejiang Second Pharma Co., Ltd. and Shanghai NewMargin Yongjin Equity Enterprise (LP), the Company took investment cost as the reasonable estimation of fair value.

XIV Related parties and related party transactions

1. Parent company

Parent company	Place of registration	Business nature	Registered capital	Holding proportion over the Company	Voting right proportion over the Company
NHU Holding Group Co., Ltd.	Xinchang, Zhejiang	Manufacturing	120.00 million	49.71%	49.71%

Remarks on the parent company

The Company's ultimate controlling party is the natural person Hu Baifan.

2. Subsidiaries of the Company

Please refer to item IX 1(1) of the notes to the financial statements for details on the Company's subsidiaries.

3. Joint ventures and associates of the Company

Please refer to item VII 10 of the notes to the financial statements for details on the Company's significant joint ventures and associates.

4. Other related parties of the Company

Related parties	Relationships with the Company
Beijing Foyou Pharma Co., Ltd.	Controlled by NHU Holding Group Co., Ltd.
Zhejiang Asen Pharmaceutical Co., Ltd.	Controlled by NHU Holding Group Co., Ltd.
Xinchang County Hechun Greening Co., Ltd. [Note]	Controlled by NHU Holding Group Co., Ltd.
Zhejiang Deli Equipment Co., Ltd.	Controlled by NHU Holding Group Co., Ltd.
Front Pharmaceutical PLC.	Controlled by NHU Holding Group Co., Ltd.
Weifang NHU Real Estate Co., Ltd.	Controlled by NHU Holding Group Co., Ltd.
Qionghai Heyue Property Services Co., Ltd.	Controlled by NHU Holding Group Co., Ltd.
Qionghai Boao Hollyard Hotel Management Co., Ltd.	Controlled by NHU Holding Group Co., Ltd.
Shaoxing Heyue Property Services Co., Ltd.	Controlled by NHU Holding Group Co., Ltd.
Xinchang County NHU Real Estate Co., Ltd.	Controlled by NHU Holding Group Co., Ltd.
Zhejiang Jingshi Real Estate Co., Ltd.	Controlled by NHU Holding Group Co., Ltd.
Shaoxing Yuexiu Education Development Co., Ltd.	Controlled by NHU Holding Group Co., Ltd.
Shaoxing Jinghe Hotel Management Co., Ltd.	Controlled by NHU Holding Group Co., Ltd.
Shaoxing Shangyu NHU Real Estate Co., Ltd.	Controlled by NHU Holding Group Co., Ltd.
Suihua NHU Real Estate Co., Ltd.	Controlled by NHU Holding Group Co., Ltd.
Zhejiang Yuexiu University of Foreign Languages	Controlled by NHU Holding Group Co., Ltd.
Heilongjiang Haotian Corn Development Co., Ltd.	Minority Shareholders of Subsidiaries
CHR.OLESEN A/S	Minority Shareholders of Subsidiaries
Shaoxing Heyue Property Service Co., Ltd. Shangyu Branch	Branch of Xinchang County NHU Real Estate Co., Ltd.

[Note] Xinchang County Hechun Greening Co., Ltd. Written off in June 2023.

Other remarks:

As Client B holds 25% equity of NHU Europe GmbH, the holding subsidiary of the Company's subsidiary NHU (Hong Kong) Trading Co., Ltd., the Company discloses transactions between Client B and NHU Europe GmbH as well as balances in related party transactions for the sake of prudence.

5. Related party transactions

(1) Purchase and sale of goods, rendering and receiving of services

Purchase of goods and receiving of services

Unit: RMB Yuan

Related parties	Content of transaction	Current period cumulative	Transaction limit approved	Whether exceeds transaction limit	Preceding period comparative
Qionghai Boao Hollyard Hotel Management Co., Ltd.	Catering and accommodation services	278,019.64	4,109,100.00	YES	98,294.20
Qionghai Heyue Property Services Co., Ltd.	Property management	615,003.21			856,682.06
Shaoxing Heyue Property Services Co., Ltd.	Property management	203,704.00			16,560.62
Shaoxing Heyue Property Service Co., Ltd. Shangyu Branch	Property management	1,027,168.03			
Shaoxing Jinghe Hotel Management Co., Ltd.	Catering and accommodation services	1,502,395.50			836,209.09
Shaoxing Yuexiu Education Development Co., Ltd.	Receiving of services	21,473.58			49,943.14
Xinchang County Hechun Greening Co., Ltd.	Purchase of goods				392,472.77
Zhejiang Asen Pharmaceutical Co., Ltd.	Purchase of goods	851,758.27			1,085,908.02
Zhejiang Yuexiu University of Foreign Languages	Receiving of services	7,780.00			
Shaoxing Shangyu NHU Real Estate Co., Ltd.	Maintenance Fund				507,260.38
Suihua NHU Real Estate Co., Ltd.	Maintenance Fund				35,324.40
Zhejiang Jingshi Real Estate Co., Ltd.	Receiving of services				156,675.16
Xinchang County Hecheng Real Estate Co., Ltd.	Catering and accommodation services				80,705.84
Anhui Innovation Technology Co., Ltd.	Consulting Service Fee	4,716,980.95			
Heilongjiang Haotian Corn Development Co., Ltd.	Purchase of goods	209,059.75			45,857,289.94
	Purchase of steam	1,251,926.61			
Shandong Bin'an Vocational Training School Co., Ltd.	Receiving of services	36,698.11			
	training fee	1,083,870.86	1,436,884.23		
Zhejiang Chunhui Environmental Protection Energy Co., Ltd.	Purchase of steam	98,139,205.41	105,647,875.05		
	Receiving of services	353,052.42			

	Waste disposal service fees				1,833,745.26
Zhejiang Deli Equipment Co., Ltd.	Purchase of goods	197,047,387.05	200,700,000.00	YES	157,701,344.20
	Receiving of services	5,332,882.32			290,435.42
Zhejiang Saiya Chemical Materials Co., Ltd.	Purchase of goods	243,288,750.67	240,000,000.00	YES	291,724,594.92
CysBio ApS	Consulting Service Fee	7,899,201.50			8,089,695.36
total		563,866,317.88	444,809,100.00		616,697,900.06

Sale of goods and rendering of services

Unit: RMB Yuan

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Beijing Foyou Pharma Co., Ltd.	Pharmaceutical intermediates, testing fees	47,169.81	715,227.93
Envalior NHU Engineering Materials (Zhejiang) Co.,Ltd.	Labor costs, etc.	6,735.85	94,904.53
	Utilities	1,629,290.16	1,520,978.65
	Utilities fees	43,789.59	65,140.06
	Scrapped materials	139,102,756.74	155,506,893.66
Front Pharmaceutical PLC.	Pharmaceutical intermediates, testing fees	1,150,631.16	345,132.74
Shandong Bin'an Vocational Training School Co., Ltd.	Waste and scrap materials	23,372.54	21,584.50
	Management Service Fee	226,415.10	226,415.09
Shaoxing Heyue Property Services Co., Ltd.	waste materials	16,880.73	
Heilongjiang Haotian Corn Development Co., Ltd.	training fee	46,317.42	
Zhejiang Asen Pharmaceutical Co., Ltd.	Pharmaceutical intermediates, test fees	6,735.85	331,747.79
Zhejiang Chunhui Environmental Protection Energy Co., Ltd.	Pharmaceutical intermediates	53,097.35	17,256.64
Zhejiang Deli Equipment Co., Ltd.	training fee	20,895.92	
	installations	42,477.88	
	new material	424,663.96	109,898.23
	Management Service Fee		63,939.40
Zhejiang Second Pharma Co., Ltd.	Pharmaceutical intermediates, test fees	1,415.09	
Heilongjiang Haotian Corn Development Co., Ltd.	steam fee		82,192.66
total		142,842,645.15	159,101,311.88

(2) Related party leases

The Company as the lessor:

Unit: RMB Yuan

Lessees	Types of assets leased	Lease income recognized in the current period	Lease income recognized in preceding period
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Envalior NHU Engineering Materials (Zhejiang) Co.,Ltd.	Land use right and buildings	1,053,619.11	1,041,710.85
Qionghai Boao Hollyard Hotel Management Co., Ltd.	Land use right and buildings	480,000.00	429,088.57
Zhejiang Jingshi Real Estate Co., Ltd.	Land use right and buildings	336,024.47	328,318.05
Zhejiang Deli Equipment Co., Ltd.	Land use right and buildings	77,064.23	77,064.23
NHU Holding Group Co., Ltd.	Land use right and buildings	16,513.76	16,513.76
Weifang NHU Real Estate Co., Ltd.	Land use right and buildings	10,285.72	18,857.14

The Company as the lessee:

Unit: RMB Yuan

Lessors	Types of assets leased	Rental costs for short-term leases and leases of low-value assets with simplified treatment (if applicable)	
		Lease expenses recognized in the current period	Lease expenses recognized in preceding period
NHU Holding Group Co., Ltd.	Land use right and buildings	1,206,513.24	1,694,215.92

(3) Related party guarantees

The Company as a guaranteed party

Unit: RMB Yuan

Guarantors	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
NHU Holding Group Co., Ltd.	433,000,000.00	December 03, 2020	September 21, 2025	No
	300,000,000.00	September 19, 2022	September 18, 2025	No
	200,000,000.00	November 17, 2022	November 14, 2025	No
total	933,000,000.00			

(4) Key management's emoluments

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	26,515,745.04	22,516,149.94

(5) Other related party transactions

(1) In the current period, NHU EUROPE GmbH sold products amounting to 138.23 million yuan to CHR.Olesen A/S. At the end of the period, balance of accounts receivable amounted to 10.89 million yuan.

(2) According to the patent technology licensing agreement and the related equipment sales contract signed between the company and Ningbo Zhenhai Refining NHU Biotechnology Co., Ltd., the Company provides Ningbo Zhenhai Refining NHU Biotechnology Co., Ltd. with mature and reliable liquid methionine production technology developed, owned, or controlled by the company, including the technical implementation license related to patents and proprietary technologies, and sells related equipment, which is produced and supplied by Zhejiang Deli Equipment Co., Ltd. The total contract amount is agreed to be 442,917,139.59 yuan. As of December 31, 2023, the company has received 240,230,676.36 yuan. At the end of the period, the company will offset the equipment payment of 48,191,778.76 yuan prepaid to Zhejiang Deli Equipment Co., Ltd. against the aforementioned received funds, and the net amount will be included in the liabilities for contracts and other current liabilities.

6. Balance due to or from related parties

(1) Balance due from related parties

Unit: RMB Yuan

Items	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Envalior NHU Engineering Materials (Zhejiang) Co.,Ltd.	41,837,233.16	2,091,861.66	42,585,814.11	2,129,290.71
	Zhejiang Asen Pharmaceutical Co., Ltd.			23,625.00	1,181.25
Subtotal		41,837,233.16	2,091,861.66	42,609,439.11	2,130,471.96
Advance paid	Zhejiang Deli Equipment Co., Ltd.	45,926,357.35			
	Heilongjiang Haotian Corn Development Co., Ltd			479,844.89	
Subtotal		45,926,357.35		479,844.89	
Other receivables	Shaoxing Heyue Property Services Co., Ltd.	18,400.00	920.00		
	Zhejiang Chunhui Environmental Protection Energy Co., Ltd.	20,000.00	16,000.00	20,000.00	4,000.00
	Envalior NHU Engineering Materials (Zhejiang) Co.,Ltd.	711.08	35.55		
Subtotal		39,111.08	16,955.55	20,000.00	4,000.00
Other non-current assets	Zhejiang Deli Equipment Co., Ltd.			33,210,788.17	
Subtotal				33,210,788.17	

(2) Balance due to related parties

Unit: RMB Yuan

Items	Related parties	Closing book balance	Opening book balance
Accounts payable	Zhejiang Deli Equipment Co., Ltd.	13,573,871.90	13,581,584.31
	Zhejiang Saiya Chemical Materials Co., Ltd.	199,699.11	1,905,191.13
	Zhejiang Second Pharma Co., Ltd.	6,408.00	6,408.00
	Heilongjiang Haotian Corn Development Co., Ltd.	110,873.46	
	Zhejiang Chunhui Environmental Protection Energy Co., Ltd.	12,040,573.60	13,688,789.40
Subtotal		25,931,426.07	29,181,972.84
Contract liabilities	Zhejiang Deli Equipment Co., Ltd.	13,009.64	13,009.64
	Ningbo ZRCC NHU Biotechnology Co., Ltd.	178,858,243.73	
Subtotal		178,871,253.37	13,009.64
Other payables	Zhejiang Deli Equipment Co., Ltd.	3,740.00	3,500.00
	Ningbo ZRCC NHU Biotechnology Co., Ltd.	12,750.00	
	Xinchang County Hechun Greening Co., Ltd.		13,102.77
	Zhejiang Jingshi Real Estate Co., Ltd.		166,075.68

Items	Related parties	Closing book balance	Opening book balance
Subtotal		16,490.00	182,678.45
Other current liabilities	Zhejiang Deli Equipment Co., Ltd.	1,691.25	1,691.25
	Ningbo ZRCC NHU Biotechnology Co., Ltd.	13,180,653.87	
Subtotal		13,182,345.12	1,691.25

XV. Commitments and contingencies

1. Significant commitments

Significant commitments as at the balance sheet date

(I) Significant commitments

1. Forward exchange settlement contracts

Pursuant to “ISDA 2002 MASTER AGREEMENT” entered into between the Company and Bank of China (Hong Kong) Limited, “ISDA 2002 MASTER AGREEMENT” entered into with DBS Bank (China) Limited, the GLOBAL CAPITAL MARKETS TRANSACTION and the related transaction application form entered into with HSBC Bank (China) Limited Hangzhou Branch, the NAFMII Master Agreement and Supplemental Agreement (No. Y161136) with the Bank of China Limited, Zhejiang Branch, NAFMII Master Agreement and Supplemental Agreement (No. Y161136), as of December 31, 2023, the details of the Company's undelivered forward settlement contracts are as follows:

Currency	Amount	Exchang Rate	Settlement Date
USD	10,000,000.00	7.3002	1/3/2024
	10,000,000.00	7.3000	1/9/2024
	10,000,000.00	7.2605	1/12/2024
	10,000,000.00	7.2635	1/16/2024
	10,000,000.00	7.2605	1/23/2024
	10,000,000.00	7.2675	1/19/2024
	10,000,000.00	7.2615	1/29/2024
	10,000,000.00	7.2575	2/5/2024
	10,000,000.00	7.2615	2/2/2024
	10,000,000.00	7.2580	2/8/2024
	10,000,000.00	7.1150	2/20/2024
	10,000,000.00	7.1113	2/27/2024
	10,000,000.00	7.1079	3/5/2024
	10,000,000.00	7.1035	3/12/2024
	10,000,000.00	7.1282	2/20/2024
	10,000,000.00	7.1230	2/27/2024
	10,000,000.00	7.1132	3/19/2024
	10,000,000.00	7.1063	3/28/2024
	10,000,000.00	7.1200	1/25/2024
	10,000,000.00	7.1000	2/27/2024
10,000,000.00	7.1165	1/29/2024	
10,000,000.00	7.0942	3/7/2024	
Subtotal	220,000,000.00		
EUR	10,000,000.00	7.8934	3/12/2024
	10,000,000.00	7.8840	4/15/2024
Subtotal	20,000,000.00		

2. Letters of guarantee issued but undue

As of December 31, 2023, the undue letters of guarantee issued by the Company and its subsidiaries are as follows:

Issuing banks	Applicants	Type of L/G	Amount	Conditions for issuing
Bank of China Limited Xinchang Sub-branch	The Company	Performance guarantee	USD 22,409.00	Occupying credit line
		Performance guarantee	USD 137,390.00	Occupying credit line
		Performance guarantee	USD 37,681.00	Occupying credit line
		Performance guarantee	USD 5,660.00	Occupying credit line
China Merchants Bank Co., Ltd. Weifang Branch	Shandong NHU Vitamins Co., Ltd.	Financing Guarantee	CNY 2,120,000.00	Occupying credit line
Bank of China Limited Weifang Binhai Branch	Shandong NHU Amino-acids Co., Ltd.	Performance guarantee	CNY 500,000.00	Deposit of 500,000.00 yuan

3. Letters of credit issued but undue

As of December 31, 2023, the undue letters of credit issued by the Company and its subsidiaries are as follows:

Issuing banks	Applicants	Balance of L/C	Conditions
China Merchants Bank Hangzhou Jiefang Branch	The Company	CNY 235,000,000.00	Occupying credit line
		CNY 150,000,000.00	Occupying credit line
		CNY 50,000,000.00	Occupying credit line
Bank of China Limited Xinchang Branch	The Company	USD 681,849.70	Occupying credit line
Bank of China Limited Xinchang Branch	Zhejiang NHU Imports & Exports Co., Ltd.	EUR 1,484,000.00	Deposits in the amount of Euro1,484,000.00
Bank of China Limited Weifang Binhai Branch	Shandong NHU Amino-acids Co., Ltd.	JPY 343,541,408.00	Occupying credit line
China Merchants Bank Co., Ltd. Weifang Branch	Shandong NHU Vitamins Co., Ltd.	CNY 9,726,000.00	Occupying credit line
China Merchants Bank Co., Ltd. Weifang Branch	Shandong NHU Pharmaceutical Co., Ltd.	CNY 25,000,000.00	Occupying credit line
		CNY 26,224,348.26	Occupying credit line
		CNY 20,895,878.61	Occupying credit line
		CNY 21,643,085.00	Occupying credit line
China Merchants Bank Hangzhou Jiefang Branch	Shangyu NHU Bio-Chem Co., Ltd.	CNY 150,000,000.00	Occupying credit line
Bank of China Limited Shangyu Sub-branch	Zhejiang NHU Special Materials Co., Ltd.	JPY 6,946,000.00	Deposit of 385,500.00 yuan

4. The “notes pool” business

Pursuant to the “Notes Pool Service Agreement on Yuntong Account of Bank of Communications” entered into between the Company and Bank of Communications Co., Ltd., the Company pledged and endorsed bank acceptance to the depositary bank, forming a pledged notes pool; the Company also opened a notes pool deposit account to provide guarantee for the credit granted under the note pledge and to deposit the pledged bank acceptance for payments. The available credit line for pledge is the sum of pledged notes and the actual balance of deposit account less pledged notes used. As stipulated in the agreement, the sum of pledged notes and the balance of deposit account shall not be less than the pledged amount used for issuing notes. Pursuant to the “Notes Pool Cooperation Agreement” entered into among the Company, its subsidiaries Shangyu NHU Bio-Chem Co., Ltd., Zhejiang NHU Pharmaceutical Co., Ltd., Zhejiang NHU Special Materials Co., Ltd., Shaoxing Yuchen New Materials Co., Ltd., Shandong NHU Pharmaceutical Co., Ltd., Shandong NHU Vitamins Co., Ltd., Shandong NHU Amino-acids Co., Ltd., Heilongjiang NHU Biotechnology Co., Ltd., Shandong NHU Fine Chemical Science and Technology Co., Ltd., Heilongjiang Xinhao Thermal Power Co., Ltd., Xinchang NHU Vitamins Co., Ltd., Zhejiang Vitesun Animal Nutrition and Health Co., Ltd., Zhejiang NHU Imports & Exports Co., Ltd. and China Zheshang Bank Co., Ltd., the Company pledged assets pool or notes pool for guarantee, and opened a notes deposit account to pay deposits at a certain

percentage, with no specific agreement on the amount of deposits. As of December 31, 2023, balance of pledged bank acceptance amounted to 237,970,232.29 yuan, deposits of notes pool in China Zheshang Bank Co., Ltd. amounted to 77,905,369.24 yuan.

5. Besides the aforementioned events and assets with title or use right restrictions as stated in this section, the Company has no other significant commitments to be disclosed as of the balance sheet date.

2. Contingencies

(1) There are no material contingencies that the Company is required to disclose, which should also be explained

The Company has no material contingencies that require disclosure.

XVI. Events after the balance sheet date

1. Profit distribution

Unit: RMB Yuan

Dividend to be distributed for every 10 shares (RMB)	4.50
Bonus shares to be distributed for every 10 shares (share)	0
Additional shares to be converted from capital reserve for every 10 shares (share)	0
Dividend for every 10 shares (RMB) declared after review and approval	4.50
Bonus shares to be distributed for every 10 shares (share) declared after review and approval	0
Additional shares to be converted from capital reserve for every 10 shares (share) declared after review and approval	0
Profit or dividend planned to be distributed	Based on the 3,073,421,680 shares (total share capital of 3,090,907,356 excluding 17,485,676 repurchased shares[Note]), a cash dividend of 4.50 yuan (tax included) will be distributed to all shareholders for every 10 shares, and no bonus shares will be distributed, and the capital reserve will not be converted into share capital. Note: According to the Rules for Share Repurchase by Listed Companies, the shares in the professional account for share repurchase by listed companies are not entitled to profit distribution and capitalization of capital reserve. If the total share capital of the company changes before the implementation of the distribution plan due to the conversion of convertible bonds, share repurchase, exercise of share incentive, listing of new shares in refinancing, etc., the total amount of distribution will be adjusted accordingly in accordance with the principle that the distribution ratio remains unchanged.

2. Description of other events after the balance sheet date

As of the date of approval for issuing the financial statements, the Company has no other significant events after the balance sheet date to be disclosed.

XVII. Other significant events

1. Segment information

(1) Identification basis and accounting policies for reportable segments

Reportable segments are identified according to the structure of the Company's internal organization, management requirements and internal reporting system, and based on business segments. Assets and liabilities shared by different segments are allocated among segments proportionate to their respective sizes.

(2) Financial information of reportable segments

Unit: RMB Yuan

Items	Pharmaceutical chemicals	Others	Inter-segment offsetting	Total
Operating revenue	13,987,850,435.98	2,036,242,196.44	907,555,629.12	15,116,537,003.30
Including: Revenue from contracts with customers	13,986,117,534.65	2,020,279,909.58	893,329,346.68	15,113,068,097.55
Operating cost	9,412,806,626.65	1,626,239,377.92	907,555,629.12	10,131,490,375.45
Total assets	36,039,123,285.51	4,250,189,705.50	1,133,066,126.34	39,156,246,864.67
Total liabilities	12,329,395,909.93	2,233,464,186.01	326,321,384.14	14,236,538,711.80

2. Employee Stock Purchase Plan Related Plans

The Company held the 16th meeting of the eighth Board of Directors and the 13th meeting of the eighth Board of Supervisors on June 7, 2023, and the first extraordinary general meeting of shareholders in 2023 on June 26, 2023, to review and adopt the fourth employee Stock Ownership Plan of Zhejiang Xinhexheng Co., LTD. (Draft) and its Abstract) and other employee stock ownership plan related motions. Agreed to implement the fourth phase of the employee stock ownership plan.

As of September 25, 2023, a total of 29,528,181 shares of the Company have been purchased through the secondary market bidding transaction, accounting for 0.9553% of the company's existing total share capital, with a total transaction amount of 479,442,157.08 yuan (excluding transaction fees), and the average transaction price is about 16.2368 yuan/share. The fourth phase of the company's employee stock ownership plan completed the purchase of the target stock. The lock-up period of the underlying shares acquired under the fourth ESOP is 12 months, calculated from the date of the Company's announcement of the transfer of the last underlying shares to the plan.

3. Raise funds to purchase financial information

The 15th meeting of the eighth session of the Board of Directors of the Company was held on April 19, 2023, at which the "Motion on the Use of Part of the idle Raised Funds for Cash Management" was reviewed and approved, and it was agreed that the Company and its wholly-owned subsidiary Shandong Xinhe Cheng Amino Acid Co., Ltd. would use the idle raised funds not exceeding RMB 1,0100 million (including RMB 1,0100 million) for cash management. The purchase of short-term financial products with high security, good liquidity and low risk with a term of no more than 12 months can be used on a rolling cycle from the date of deliberation and adoption at the 15th meeting of the Eighth Board of Directors to the effective period before April 30, 2024. As of December 31, 2023, the actual balance of the Company's temporary idle raised funds to purchase financial products was 145 million yuan.

XVIII. Notes to the main items of the parent company's financial statements**1. Accounts receivable****(1) Age analysis**

Unit: RMB Yuan

Ages	Closing balance	Opening balance
Within 1 year	659,625,316.20	526,936,263.09
Total	659,625,316.20	526,936,263.09

(2) Details on categories

Unit: RMB Yuan

Categories	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carrying amount	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion		Amount	% to total	Amount	Provision proportion	
Receivables with provision made on a collective basis	659,625,316.20	100.00%	32,981,265.81	5.00%	626,644,050.39	526,936,263.09	100.00%	26,346,813.15	5.00%	500,589,449.94
Total	659,625,316.20	100.00%	32,981,265.81	5.00%	626,644,050.39	526,936,263.09	100.00%	26,346,813.15	5.00%	500,589,449.94

Provision made on a collective basis using age analysis method:

Unit: RMB Yuan

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion
Within 1 year	659,625,316.20	32,981,265.81	5.00%
Total	659,625,316.20	32,981,265.81	

Provision for bad debts on accounts receivable is made in accordance with the general model of expected credit losses, if any:

 Applicable Not applicable**(3) Provisions made, collected or reversed in the current period**

Provisions made in the current period:

Unit: RMB Yuan

Categories	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery/Reversal	Write-off	Others	
Provision made on a collective basis	26,346,813.15	6,919,784.66		285,332.00		32,981,265.81
Total	26,346,813.15	6,919,784.66		285,332.00		32,981,265.81

(4) Accounts receivable actually written off during the period

Unit: RMB Yuan

Items	Amount written off
Accounts receivable actually written off	285,332.00

(5) Details of the top 5 debtors with largest balances

Unit: RMB Yuan

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
Client 1	426,662,005.52	64.68%	21,333,100.28
Client 2	65,924,965.96	9.99%	3,296,248.30
Client 3	12,940,667.00	1.96%	647,033.35
Client 4	8,234,403.02	1.25%	411,720.15
Client 5	7,717,400.00	1.17%	385,870.00
Total	521,479,441.50	79.05%	26,073,972.08

2. Other receivables

Unit: RMB Yuan

Items	Closing balance	Opening balance
Dividend receivable		20,735,987.73
Other receivables	2,908,050,463.81	2,475,376,134.12
Total	2,908,050,463.81	2,496,112,121.85

(1) Dividend receivable**1) Details on categories**

Unit: RMB Yuan

Items/Investees	Closing balance	Opening balance
Zhejiang Chunhui Environmental Protection Energy Co., Ltd.		20,735,987.73
Total		20,735,987.73

(2) Other receivables**1) Categorized by nature**

Unit: RMB Yuan

Nature of receivables	Closing book balance	Opening book balance
loan splitting	3,038,350,000.01	2,477,800,000.00
Deposit Guarantee	13,376,459.00	100,017,996.50
Export Tax Refund	5,735,604.80	8,678,171.26
Employee reserve fund	2,436,000.00	5,953,662.00
Other	1,336,185.69	8,467,732.53
Accounts receivable in suspense		461,787.32
Total	3,061,234,249.50	2,601,379,349.61

2) Age analysis

Unit: RMB Yuan

Ages	Closing book balance	Opening book balance
Within 1 year (inclusive)	3,047,240,876.60	2,501,141,620.17
1-2 years	457,610.37	1,154,000.00
2-3 years		172,432.00
Over 3 years	13,535,762.53	98,911,297.44
3-4 years	25,770.00	182,455.81
4-5 years	162,455.81	50,067.41
Over 5 years	13,347,536.72	98,678,774.22
Total	3,061,234,249.50	2,601,379,349.61

3) Disclosure by bad debt accrual method

Unit: RMB Yuan

Categories	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carrying amount	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion		Amount	% to total	Amount	Provision proportion	
Receivables with provision made on a collective basis	3,061,234,249.50	100.00%	153,183,785.69	5.00%	2,908,050,463.81	2,601,379,349.61	100.00%	126,003,215.49	4.84%	2,475,376,134.12
Total	3,061,234,249.50	100.00%	153,183,785.69	5.00%	2,908,050,463.81	2,601,379,349.61	100.00%	126,003,215.49	4.84%	2,475,376,134.12

Provision for bad debts is made on a portfolio basis:

Unit: RMB Yuan

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion
Land bond receivable portfolio	12,518,762.50		
Export tax refund receivable portfolio	5,735,604.80		
Ageing portfolio	3,042,979,882.20	153,183,785.69	5.03%
Including: 1-2 years	3,041,505,271.80	152,075,263.59	5.00%
2-3 years	457,610.37	91,522.07	20.00%
Over 3 years	1,017,000.03	1,017,000.03	100.00%
Total	3,061,234,249.50	153,183,785.69	

Provision for bad debts is made on the basis of a general model of expected credit losses:

Unit: RMB Yuan

Provision for bad debts	Phase I	Phase II	Phase III	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance	124,623,172.45	230,800.00	1,149,243.04	126,003,215.49
Opening balance in the current period				
--Transferred to phase II	-22,880.52	22,880.52		0.00

Provision for bad debts	Phase I	Phase II	Phase III	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Provision made in the current period	27,474,971.66	-162,158.45	-132,243.01	27,180,570.20
Closing balance	152,075,263.59	91,522.07	1,017,000.03	153,183,785.69

The basis for the classification of each stage and the percentage of provision for bad debts:

Accounts aged less than one year are classified as stage I, those aged 1-2 years are classified as stage II, and those aged more than 2 years are classified as stage III.

Changes in the carrying amount of the provision for losses that are significant in terms of the amount of change during the period.

Applicable Not Applicable

4) Provisions made, collected or reversed in the current period

Provision for bad debts in the current period:

Unit: RMB Yuan

Categories	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery/Reversal	Write-off	Others	
Portfolio grouped by ages	126,003,215.49	27,180,570.20				153,183,785.69
Total	126,003,215.49	27,180,570.20				153,183,785.69

5) Details of the top 5 debtors with largest balances

Unit: RMB Yuan

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Heilongjiang NHU Biotechnology Co., Ltd.	Call loans	1,956,000,000.00	Within 1 year	63.90%	97,800,000.00
Shandong NHU Fine Chemical Science and Technology Co., Ltd.	Call loans	823,850,000.00	Within 1 year	26.91%	41,192,500.00
Xinchang NHU Vitamins Co.	Call loans	99,000,000.01	Within 1 year	3.23%	4,950,000.00
	Others	6,287.28	Within 1 year	0.00%	314.36
Zhejiang NHU Special Materials Co., Ltd.	Call loans	85,000,000.00	Within 1 year	2.78%	4,250,000.00
Shandong NHU Holdings Co., Ltd	Call loans	67,500,000.00	Within 1 year	2.20%	3,375,000.00
Total		3,031,356,287.29		99.02%	151,567,814.36

3. Long-term equity investments

Unit: RMB Yuan

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	10,176,078,842.12		10,176,078,842.12	9,146,078,842.12		9,146,078,842.12
Investments in associates and joint ventures	502,157,305.30		502,157,305.30	239,967,333.33		239,967,333.33
Total	10,678,236,147.42		10,678,236,147.42	9,386,046,175.45		9,386,046,175.45

(1) Investments in subsidiaries

Unit: RMB Yuan

Investees	Opening carrying amount	Opening balance of provision for impairment	Increase/Decrease				Closing carrying amount	Closing balance of provision for impairment
			Investments increased	Investments decreased	Provision for impairment	Others		
XinchangNHU Vitamins Co., Ltd.	149,407,990.15						149,407,990.15	
ZhejiangNHU Import & Export Co., Ltd.	13,500,000.00						13,500,000.00	
Qionghai Boao Lidu Real Estate Co., Ltd.	54,020,492.00						54,020,492.00	
Zhejiang Vityesun Animal Nutrition and Health Co., Ltd.	5,000,000.00						5,000,000.00	
Shangyu NHU Bio-Chem Co., Ltd.	414,100,091.44						414,100,091.44	
NHU (Hong Kong) Trading Co., Ltd.	16,406,160.00						16,406,160.00	
ZhejiangNHU Pharmaceutical Co., Ltd.	480,000,000.00						480,000,000.00	
ZhejiangNHU Special Materials Co., Ltd.	554,844,108.53						554,844,108.53	
ShandongNHU Amino-acids Co., Ltd.	4,900,000,000.00		900,000,000.00				5,800,000,000.00	
ShandongNHU Holdings Co., Ltd.	200,000,000.00						200,000,000.00	
HeilongjiangNHU Biotechnology Co., Ltd.	1,300,000,000.00						1,300,000,000.00	
ShandongNHU Pharmaceutical Co., Ltd.	586,000,000.00						586,000,000.00	
ShandongNHU Fine Chemical Science and Technology Co., Ltd.	460,000,000.00		130,000,000.00				590,000,000.00	
NHU Singapore PTE. LTD.	12,800,000.00						12,800,000.00	
Total	9,146,078,842.12		1,030,000,000.00				10,176,078,842.12	

(2) Investments in associates and joint ventures

Unit: RMB Yuan

Investees	Opening carrying amount	Opening balance of provision for impairment	Increase/Decrease								Closing carrying amount	Closing balance of provision for impairment	
			Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income	Changes in other equity	Cash dividend/ Profit declared for distribution	Provision for impairment	Others			
I. joint venture													
Ningbo Zhenhai Refining and Chemical Xinhecheng Biotechnology Co., Ltd			233,508,000.00		-17,341,021.51							216,166,978.49	
Subtotal			233,508,000.00		-17,341,021.51							216,166,978.49	
II. Associates													
Zhejiang Chunhui Environmental Protection Energy Co., Ltd.	239,967,333.33				41,180,429.16		50,707.22	12.27			197,267.10	281,395,724.54	
Zhejiang Sanbo Polymer Co., Ltd													
Anhui Yingna Weixun Technology Co., Ltd			4,000,000.00		594,602.27							4,594,602.27	
Subtotal	239,967,333.33		4,000,000.00		41,775,031.43		50,707.22	12.27			197,267.10	285,990,326.81	
Total	239,967,333.33		237,508,000.00		24,434,009.92		50,707.22	12.27			197,267.10	502,157,305.30	

The recoverable amount is determined as the net of fair value less costs of disposal

Applicable Not applicable

Recoverable amount is determined as the present value of the expected future cash flows

Applicable Not applicable**4. Operating revenue/Operating cost**

Unit: RMB Yuan

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	2,746,466,236.75	2,473,248,472.64	3,413,299,237.28	2,778,374,702.33
Other operations	54,507,807.05	43,301,577.63	63,079,968.72	50,816,850.54
Total	2,800,974,043.80	2,516,550,050.27	3,476,379,206.00	2,829,191,552.87
Including: Revenue from contracts with customers	2,797,508,880.19	2,515,058,317.60	3,472,854,161.65	2,827,759,903.86

Details of revenue

Unit: RMB Yuan

Categories of contracts	Current period cumulative	
	Revenue	Cost
By product		
Including:		
Nutrition	2,746,466,236.75	2,473,248,472.64

Categories of contracts	Current period cumulative	
	Revenue	Cost
Others	51,042,643.44	41,809,844.96
Subtotal	2,797,508,880.19	2,515,058,317.60
By operating region		
Including:		
Domestic	1,663,363,430.94	1,462,228,504.87
Overseas	1,134,145,449.25	1,052,829,812.73
Subtotal	2,797,508,880.19	2,515,058,317.60
By revenue recognition time		
Including:		
Transferred at a point in time	2,797,508,880.19	2,515,058,317.60
Subtotal	2,797,508,880.19	2,515,058,317.60

Information related to transaction price allocated to the remaining performance obligations:

As of December 31, 2023, revenue corresponding to performance obligations for which the Company has entered into contracts but not yet performed or fulfilled amounted to 326.03 million yuan, of which, 326.03 million yuan is expected to be recognized as revenue in 2024.

5. R&D expenses

Unit: RMB Yuan/Items	Current period cumulative	Preceding period comparative
Employee benefits	137,202,860.17	140,037,624.41
Outsourcing expenses	44,232,422.63	23,553,318.16
Depreciation, amortization of intangible assets	28,647,554.99	27,624,080.30
Direct input	27,154,541.33	28,398,681.97
Office expenses, business traveling expenses	5,717,143.51	13,476,908.28
Others	6,215,215.00	4,278,723.45
Total	249,169,737.63	237,369,336.57

6. Investment income

Unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under cost method	1,390,000,000.00	1,186,000,000.00
Investment income from long-term equity investments under equity method	24,434,009.92	47,283,121.54
Investment income from disposal of financial assets held for trading	41.56	
Dividend income earned on investments in other equity instruments during the holding period	24,473,000.00	

Items	Current period cumulative	Preceding period comparative
Interest on discounted bills	-186,142.03	
Interest income from call loans	108,635,176.65	93,315,645.90
Investment income from bank financial products and structured deposits	2,735,849.06	31,667,084.46
Investment income from debt restructuring	-709,851.71	
Total	1,549,382,083.45	1,358,265,851.90

XIX. Supplementary information

1. Schedule of non-recurring profit or loss

Applicable Not applicable

Unit: RMB Yuan

Items	Amount	Remarks
Gains or losses on disposal of non-current assets, including write-off of provision for impairment	5,426,533.21	
Government grants included in profit or loss (excluding those closely related to operating activities of the Company, satisfying government policies and regulations, and continuously enjoyed with certain quantity or quota based on certain standards)	63,050,565.94	
Gains or losses on changes in fair value of held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets and held-for-trading financial liabilities, excluding those arising from hedging business related to operating activities	34,458,488.77	
Fees charged to non-financial enterprises for fund occupancy included in current profit or loss	465,887.82	
Gains or losses on assets consigned to the third party for investment or management	12,715,401.91	
Debt restructuring gains and losses	-847,442.05	
Other non-operating revenue or expenditures	4,406,027.43	
Less: Enterprise income tax affected	29,488,260.00	
Non-controlling interest affected (after tax)	159,076.07	
Total	90,028,126.96	--

Remarks on other profit or loss satisfying the definition of non-recurring profit or loss:

Applicable Not applicable

The Company has no other profit or loss satisfying the definition of non-recurring profit or loss.

Remarks on defining non-recurring profit or loss listed in the “Interpretation Pronouncement on Information Disclosure Criteria for Public Companies No. 1 – Non-Recurring Profit or Loss” as recurring profit or loss

Applicable Not applicable

Unit: RMB Yuan

Items	Amount involved(yuan)	Reason
Net profit attributable to shareholders of listed company after deducting non-recurring profit or loss in fiscal 2022	33,397,934.74	
Net profit attributable to shareholders of listed company after deducting non-recurring profit or loss calculated in accordance with the "Interpretation Pronouncement on Information Disclosure Criteria for Public Companies No. 1 – Non-Recurring Profit or Loss (Revised in 2023)" for fiscal year 2022.	-69,074,749.77	
discrepancy	102,472,684.51	

2. ROE and EPS

Profit of the reporting period	Weighted average ROE (%)	EPS (yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	11.24%	0.87	0.87
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	10.86%	0.85	0.85

3. Calculation process for weighted average return on net assets

Unit: RMB Yuan

Items	Serial number	Current period cumulative	
Net profit attributable to shareholders of listed company	A	2,704,238,767.54	
Non-recurring profit or loss	B	90,028,126.96	
Net profit attributable to shareholders of listed company after deducting non-recurring profit or loss	C=A-B	2,614,210,640.58	
Opening net assets attributable to the Company's ordinary shareholders	D	23,574,879,326.24	
Net assets attributable to the Company's common shareholders added by the issuance of new shares or conversion of debt to shares, etc.	E		
Cumulative number of months from the month following the addition of net assets to the end of the reporting period	F		
Decrease in net assets attributable to the Company's common shareholders as a result of repurchases or cash dividends, etc.	G	1,536,710,840.00	
Cumulative number of months from the month following the month in which net assets were reduced to the end of the reporting period	H	7	
other	Translation differences in foreign currency statements	I1	27,343,168.68
	Cumulative number of months from the month following the month of increase or decrease in net assets to the end of the reporting period	J1	6
	Special reserve	I2	34,663,924.21
	Cumulative number of months from the month following the month of increase or decrease in net assets to the end of the reporting period	J2	6
	Other changes in capital surplus	I3	197,267.10
	Cumulative number of months from the month following the month of increase or decrease in net assets to the end of the reporting period	J3	6
	Other changes in capital surplus	I3	50,707.22

Items	Serial number	Current period cumulative
Cumulative number of months from the month following the month of increase or decrease in net assets to the end of the reporting period	J3	11
Number of months in the reporting period	K	12
Weighted average net assets	$L = D + A/2 + E \times F/K - G \times H/K \pm I \times J/K$	24,061,732,714.96
Weighted average ROE	$M = A/L$	11.24%
Weighted average ROE after extraordinary gains and losses	$N = C/L$	10.86%

4. Calculation process of basic earnings per share and diluted earnings per share

(1) Basic earnings per share calculation process

Unit: RMB Yuan

Items	Serial number	Current period cumulative
Net profit attributable to shareholders of listed company	A	2,704,238,767.54
Non-recurring profit or loss	B	90,028,126.96
Net profit attributable to shareholders of listed company after deducting non-recurring profit or loss	$C = A - B$	2,614,210,640.58
Total number of shares at the beginning of the period	D	3,090,907,356.00
Increase in number of shares due to capitalization of provident fund or distribution of stock dividends, etc.	E	
Increase in the number of shares by issuing new shares or converting debt to equity, etc.	F	
Cumulative number of months from the month following the increase in shares to the end of the reporting period	G	
Reduction in the number of shares due to buybacks, etc.	H	
Cumulative number of months from the month following the reduction of shares to the end of the reporting period	I	
Number of drawdowns during the reporting period	J	
Number of months in the reporting period	K	12
Weighted average number of ordinary shares outstanding	$L = D + E + F \times G/K - H \times I/K - J$	3,090,907,356.00
Basic EPS	$M = A/L$	0.87
Basic EPS after extraordinary gains and losses	$N = C/L$	0.85

(2) Calculation of diluted earnings per share

The process of calculating diluted earnings per share is the same as that for basic earnings per share.

5. Differences in accounting data under Chinese accounting standards and overseas accounting standards

(1) Difference in net profit and net assets in financial statements disclosed respectively under IFRS Standards and Chinese accounting standards

Applicable Not Applicable

(2) Difference in net profit and net assets in financial statements disclosed respectively under overseas accounting standards and Chinese accounting standards

Applicable Not Applicable

(3) Explanation of the reasons for differences in accounting data under domestic and foreign accounting standards. If adjusting for differences in data already audited by overseas auditing institutions, the name of the overseas institution should be indicated

Applicable Not Applicable