

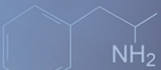
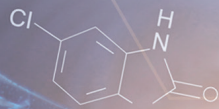


丽珠医药
LIVZON

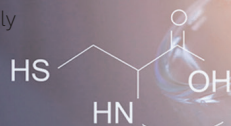
麗珠醫藥集團股份有限公司

Livzon Pharmaceutical Group Inc.*

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 1513



* For identification purpose only



2022

ANNUAL REPORT

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LIST OF DOCUMENTS AVAILABLE FOR INSPECTION

- (I) Audited financial report of the Company for the twelve months ended 31 December 2022 prepared in accordance with the China Accounting Standards for Business Enterprises, which has been signed and sealed by the person-in-charge of the Company, the person-in-charge of the Company's financial affairs (mainly responsible for accounting work) and the person-in-charge of the accounting department (the head of the accounting department).
- (II) The original document of the audit report sealed by the accounting firm and signed and sealed by the certified public accountants.
- (III) Original copies of all documents and announcements of the Company which have been disclosed on designated websites as approved by CSRC during the Year.
- (IV) 2022 annual report of the Company in English and Chinese versions published on the website of Hong Kong Exchanges and Clearing Limited.

CHAIRMAN'S STATEMENT



Mr. Zhu Baoguo
Chairman of the Board

Dear Shareholders,

The year 2022 is a crucial period for China to promote the implementation of the 14th Five-Year Plan. Looking back on the past year, challenges and opportunities coexisted, and sweat and gains were intertwined. Although the development of the biopharmaceutical industry is facing huge uncertainties caused by many risks and challenges, such as the slowdown in economic growth, the downturn in Sino-US relations as well as the control on medical insurance fees and the centralized procurement for drugs covered under the medical insurance, China's biopharmaceutical industry has made steady progress and maintained a good innovation trend on the road of high-quality development in this year.

Statistics show that in 2022, 10 innovative chemical drugs, 31 improved new chemical drugs, 6 innovative biologics and 5 new traditional Chinese medicines were approved for marketing, and the number of new drugs approved for marketing remained relatively stable. At the same time, the time from the launch of innovative drugs to the inclusion in medical insurance has been shortened from four to five years to about one year, and the number of formal hospital listings for innovative drugs with "clinical value" has been accelerated.

CHAIRMAN'S STATEMENT

THE MANAGEMENT TEAM OF THE COMPANY



Mr. Tang Yanggang
Executive Director,
President



Mr. Xu Guoxiang
Executive Director,
Vice President



Mr. Yang Daihong
Vice President



Mr. Zhou Peng
Vice President



Ms. Si Yanxia
Vice President,
Chief Financial Officer



Ms. Huang Yuxuan
Vice President



Mr. Xu Peng
Vice President



Mr. Yang Liang
Vice President,
Company Secretary

Facing the severe and complex external environment and under the continuously deepening healthcare reform policy, the Group adheres to the mission of "prioritizing the quality of life of patients" and the vision of "becoming a leader in the pharmaceutical industry" and explores and innovates based on clinical values in response to the challenges of the normalization of national medical insurance negotiations and centralized drug procurement. and seizes new opportunities in the industry and the market. The Group improved operational management and R&D efficiency, exerted more efforts in digital transformation, continued to strengthen the competitive advantages of our products, and further consolidated the foundation and capabilities for its sustainable development, thus effectively improving its overall strength.

REVIEW OF 2022

Under the brilliant leadership of the Company's management team, all employees forged ahead with determination and worked diligently to overcome difficulties together and made remarkable achievements.

In 2022, the Group recorded an operating income of RMB12,629.58 million, representing a year-on-year increase of 4.69%, and a net profit attributable to Shareholders of the Company of RMB1,909.39 million, representing a year-on-year increase of 7.53%; excluding gains and losses from extraordinary items, the net profit attributable to Shareholders of the Company generated from principal businesses of the Company in 2022 was RMB1,880.46 million, representing a year-on-year increase of 15.57%. During the Year, the sales growth of the drug preparation sector of the Group was stable, and the proportion and profitability of high-end specialty APIs increased steadily. Moreover, the permission of emergency use in sequential booster immunization for COVID-19 vaccine also contributed to the Company's performance.

CHAIRMAN'S STATEMENT

Based on the operating results and overall financial position of the Group for 2022, the Board proposed a profit distribution plan of the Company for 2022 as follows: to distribute cash dividend of RMB16.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2022 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized. The profit distribution plan for 2022 was still subject to consideration and approval at the 2022 annual general meeting of the Company.

Regarding R&D innovation as the cornerstone of sustainable development, the Group continued to pay attention to new molecules and cutting-edge technologies in the field of global new drug R&D, made deployments for innovative drugs and high-barrier complex preparations based on clinical value and differentiated prospect, and by focusing on gastroenterology, psychiatry, assisted reproduction, anti-tumor and other fields, developed a differentiated product pipeline covering the whole R&D cycle. In 2022, the Company established a clinical research management center and optimized the management structure of medical, clinical operations and registration teams, which comprehensively covered multi-dimensional management such as clinical research, clinical operation implementation, registration and pharmacovigilance and vigorously emphasized on the clinical work of R&D projects. The Company made breakthroughs in the R&D of key products, among which, the marketing of COVID-19 vaccine and Tocilizumab Injection (托珠单抗注射液) has enabled the Company to achieve a leapfrog breakthrough in the field of biologics, and the product development and production have been highly recognized by the State and the industry. The Recombinant SARS-CoV-2 Fusion Protein Vaccine (LIKANG) (重组新型冠状病毒融合蛋白疫苗(丽康)) was approved for the emergency use in sequential booster immunization in June 2022, and was officially included in the national vaccination plan in September. At present, it has been used for booster vaccination in more than 20 provinces and municipalities across the country. According to the global prevalence of COVID-19 mutant strains, LivzonBio has carried out the R&D of a variety of mutant vaccines and related bivalent vaccines, which effectively leveraged the advantages of this technology platform. Recombinant Humanized Anti-human IL-6R Monoclonal Antibody Solution for Injection (重组人源化抗人 IL-6R 单克隆抗体注射液) (i.e. Tocilizumab Injection (托珠单抗注射液)) was approved for marketing in January 2023, greatly improving the accessibility of drugs for patients with COVID-19.



CHAIRMAN'S STATEMENT

In addition, the phase III clinical trial of Semaglutide Injection (司美格魯肽注射液) was initiated; the phase II clinical trial of Recombinant anti-human IL-17A/F Humanized Monoclonal Antibody Injection (重組抗人 IL-17A/F 人源化單克隆抗體注射液) was completed; supplemental information for Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) (1-month sustained release) as a prostate cancer indication was finished and submitted to CDE; the enrollment of the phase III clinical trial of endometriosis was completed; the phase I multiple-dose clinical trial and the follow-up interviews for all subjects of Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) (1-month sustained release) were completed, and the clinical data analysis was completed; Blonanserin Tablets (布南色林片), new indications of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) and Lurasidone Hydrochloride Tablets (鹽酸魯拉西酮片) were applied for production. Furthermore, we obtained consistency evaluation approval for 6 projects, which consolidated our leading position in the market.

In respect of sales, while continuing to focus on evidence marketing, co-marketing and service marketing, our sales team bolstered its professional and refined management, closely followed the national medical reform policies and local measures, reinforced the promotion of academic marketing, kept expanding the hospital coverage of our key products, and strengthened the penetration and promotion of potential products. For retail market of OTC products, the Group further expanded market channels and built Internet digital marketing platforms to deepen the market penetration rate of products.

In respect of commercial development, the Group continued to pay attention to cutting-edge technologies, continuously strengthened external cooperation, actively carried out innovative business cooperation models in the global market, and actively sought cutting-edge technologies around the world and opportunities for international layout of products through various methods such as cooperative development and licensing-in. The Group consolidated its advantageous areas and implemented product iteration and technology platform construction at a fast pace but in a stable manner to achieve long-term sustainable development.

While focusing on our own development, the Group has always been committed to social welfare, and has actively assumed social responsibility and fulfilled the responsibility of a pharmaceutical enterprise. Over the years, the Group have, by leveraging on its own industrial advantages, actively responded to the national policy calls and cooperated to carry out the "Public Welfare Program for Prevention and Treatment of Chronic Diseases (普惠慢病防治公益項目)", with a geographical coverage of 8 provinces and 1 autonomous region across the country, which further improved the accessibility of drugs by delivering medicines and other supplies to patients with chronic diseases in remote areas to lessen their medical burden. In addition, the Group has donated funds and materials through the China Red Cross Foundation and has been conducting the "Help for Love" (為愛助行) campaign for many years by making donations for education purpose, while giving assistance to revitalize rural industries. During the Reporting Period, the Group's charitable donations amounted to approximately RMB9.98 million.

In respect of talent development, the Group strengthened its efforts in internal identification, cultivating and promotion of young talents for pharmaceutical research, clinical medicine, domestic and overseas BD, quality management and other departments, and at the same time, strengthened its attractiveness to outstanding talents and continued to recruit first-class talents around the globe. The Group always strives to grow with employees and provides opportunities of sustainable development to each employee through compliant policies and systems, diversified training systems and comprehensive remuneration and welfare mechanisms. By upholding the principles of fairness, impartiality and openness, the Group has created a diversified development platform to realize alignment in values between itself and its staff.

CHAIRMAN'S STATEMENT

FUTURE OUTLOOK

At the beginning of 2023, China's pharmaceutical market has given rise to the hope of recovery, and the huge growth potential of biopharmaceuticals is expected to be further released. The main theme of the development in the next five years is to promote the construction of a healthy China and deepen the reform of the medical and health system by adhering to the "linkage among medical treatment, medical insurance and pharmaceuticals (三醫聯動)" and promoting the coordinated development and governance of medical insurance, medical treatment and pharmaceuticals. There is a long way to go, and there are both opportunities and challenges, but generally speaking, the opportunities outweigh the challenges.

The Group always believes only "stability" can ensure "sustainability" and only "determination" can ensure "moving forward with high quality". In the future, the Group will continue to adhere to the mission of "prioritizing the quality of life of patients" and the vision of "becoming a leader in the pharmaceutical industry", deepen its main business in line with trends and actively respond to industry policy risks with diversified businesses. The Group will also continue to focus on gastroenterology, psychiatry, assisted reproduction and anti-tumor and other fields to further strengthen its advantages in the platforms of innovative drugs and high-barrier complex formulations and accelerate the improvement of research and development efficiency. Meanwhile, the Group will strengthen management innovation, comprehensively improve its sustainable development capabilities through digital and intelligent new technologies and new models, and continue to deepen market promotion to constantly promote its own development to a new level.

Moreover, the Group will continue to respond actively to national policies, fulfill the responsibility of a pharmaceutical enterprise and strengthen our social commitment. We will provide precise assistance for patients with chronic diseases and rare diseases, so as to make further contributions to build a healthy China, revitalize rural regions and attain common prosperity in the country. Meanwhile, the Group will continue to deepen the concept of sustainable development and practice green development, increase investment in environmental protection and actively carry out energy-saving and emission-reduction actions and strive to achieve the Group's energy saving and emission reduction and carbon reduction targets, with an ultimate goal of achieving carbon neutrality by 2055.

On behalf of the Board of the Company, I would like to take this opportunity to express my sincere thanks to all Shareholders, our staff and business partners for their long-term concern and support.

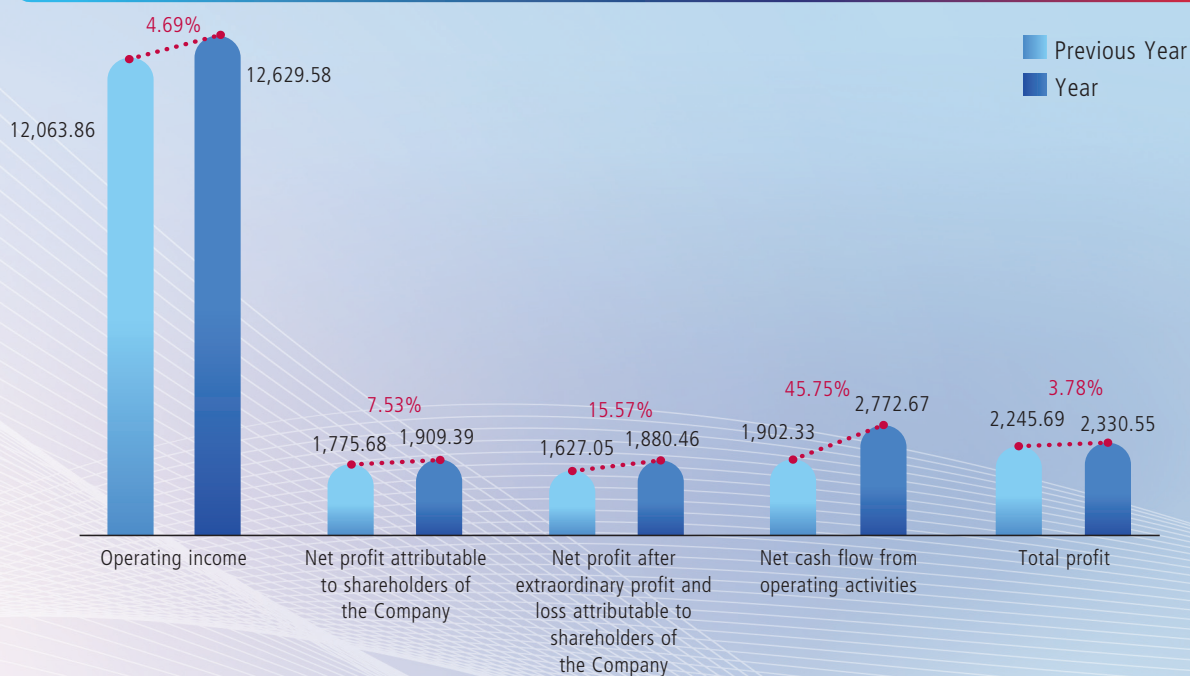
Zhu Baoguo
Chairman

30 March 2023



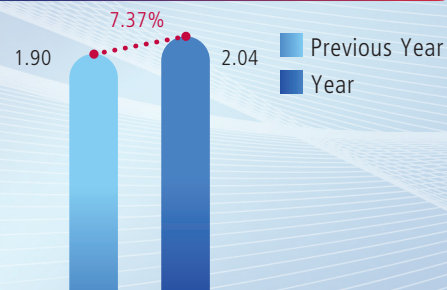
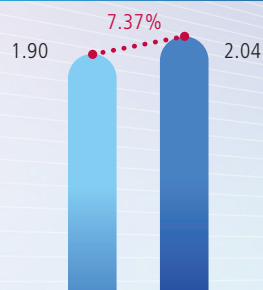
FINANCIAL HIGHLIGHTS

Major financial indicators (RMB in millions)

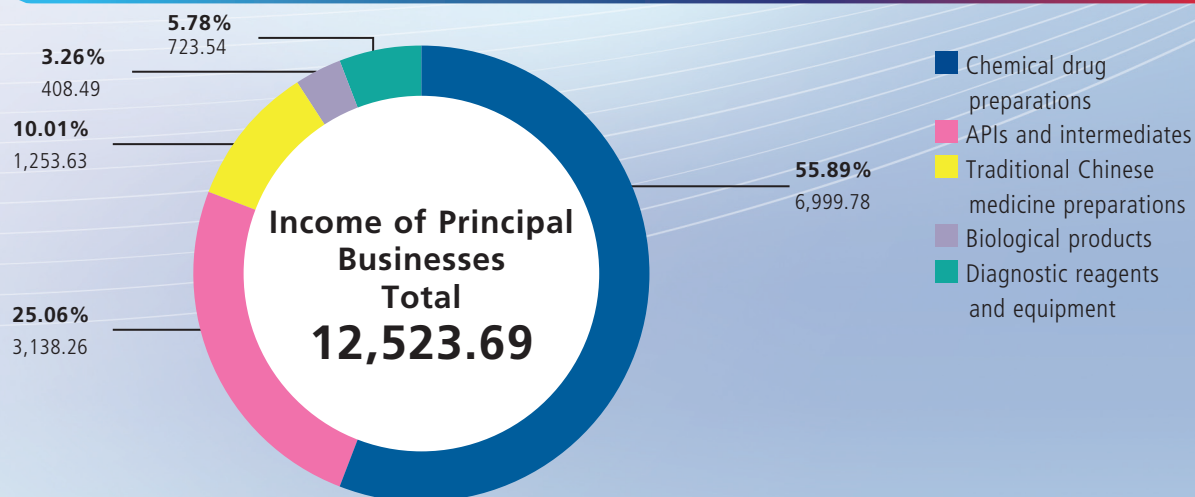


Basic earnings per share (RMB/share)

Diluted earnings per share (RMB/share)



Revenue composition of principal businesses (RMB in millions)

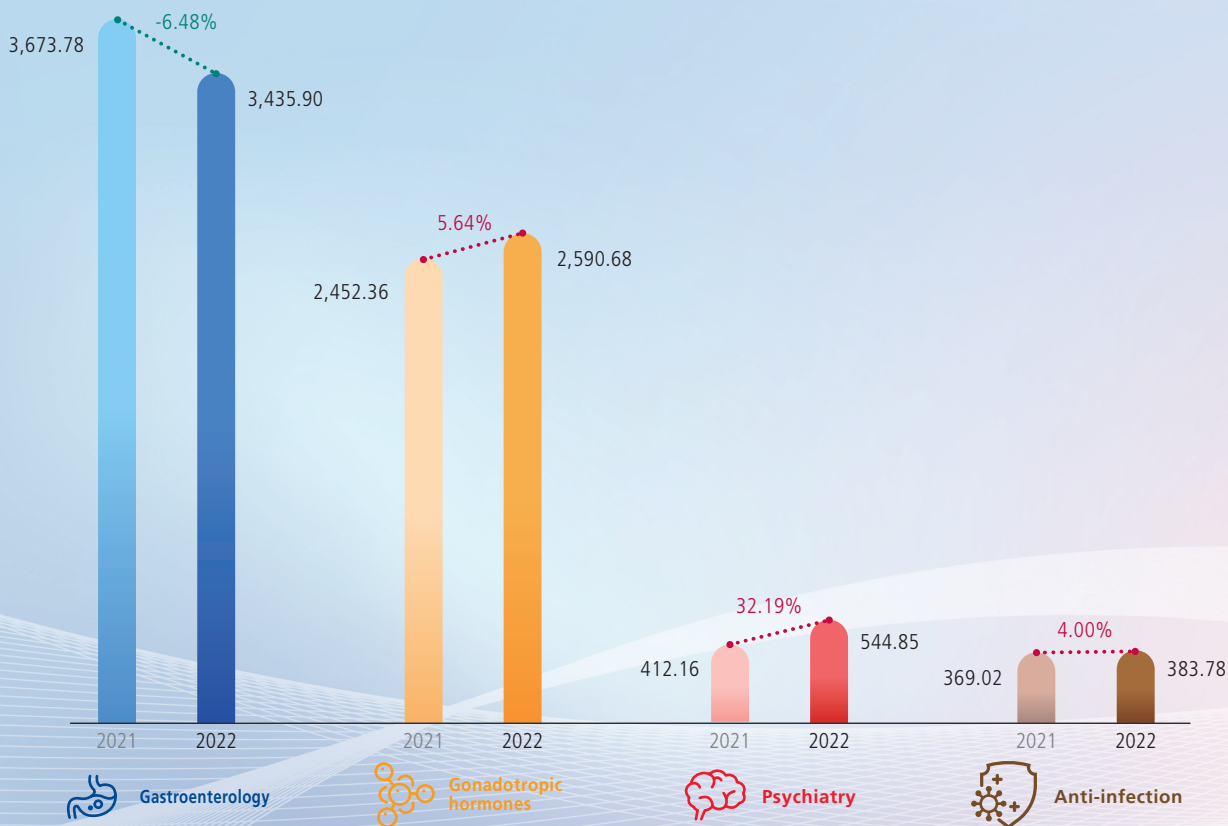


FINANCIAL HIGHLIGHTS

PERFORMANCE FOR THE YEAR IN TERMS OF REVENUE FROM VARIOUS SECTORS

Unit: RMB in millions

Chemical drug preparations

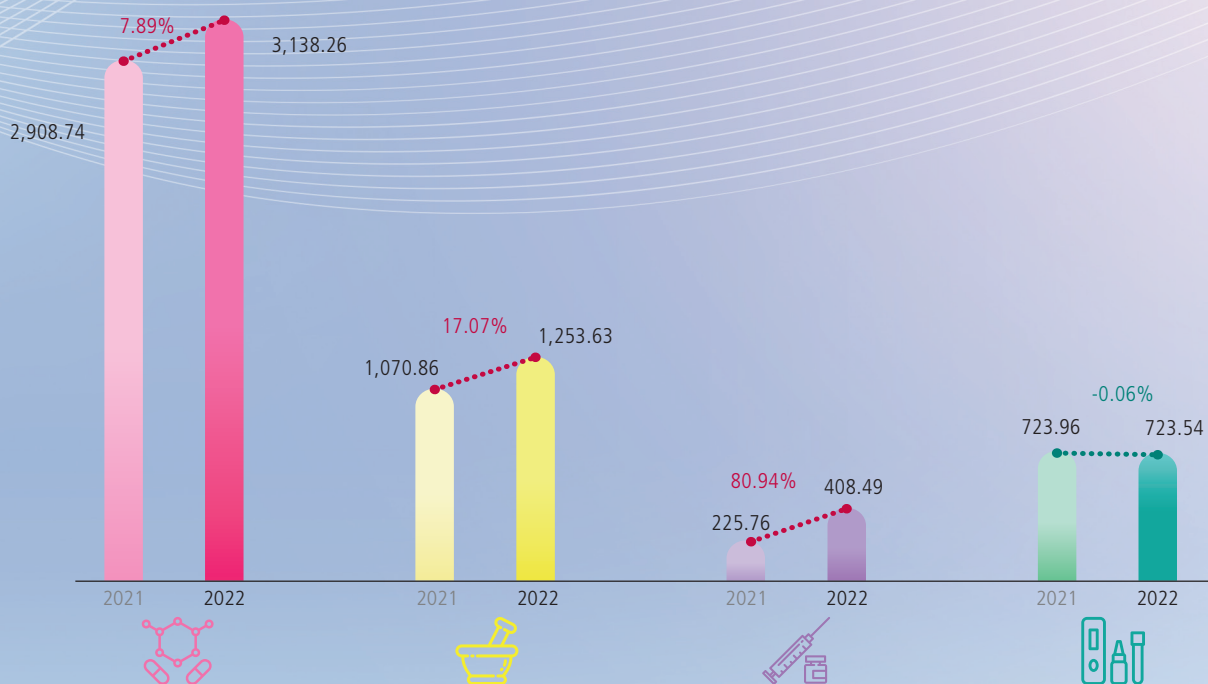


APIs and intermediates

Traditional Chinese medicine preparations

Biological products

Diagnostic reagents and equipment



SECTION I. IMPORTANT NOTICE AND DEFINITIONS

IMPORTANT NOTICE

The Board, the Supervisory Committee and the Directors, Supervisors and senior management of Livzon Pharmaceutical Group Inc.* hereby warrant the truthfulness, accuracy and completeness of the contents of this annual report (the "Report"), and that there are no false representations, misleading statements or material omissions contained in the Report, and severally and jointly accept responsibility.

The financial report of the Company for the year ended 31 December 2022 has been prepared in accordance with the China Accounting Standards for Business Enterprises, and has been audited by Grant Thornton (Special General Partnership) who issued standard unqualified opinions in the audit report.

Mr. Zhu Baoguo (朱保國), the person-in-charge of the Company, Ms. Si Yanxia (司燕霞), the person-in-charge of the Company's accounting work (Chief Financial Officer), and Ms. Zhuang Jianying (莊健瑩), the person-in-charge of the accounting department (the head of the accounting department), declare that they hereby warrant for the truthfulness, accuracy and completeness of the financial statements contained in the Report.

All Directors of the Company have attended the Board meeting in person for considering the Report.

After consideration and approval by the Board of the Company, the Company's profit distribution plan for 2022 is as follows: to distribute cash dividend of RMB16.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2022 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized (the "Dividend Distribution Plan for the Year"). The Dividend Distribution Plan for the Year is still required to be submitted to the 2022 annual general meeting (the "AGM") of the Company for consideration and approval. Subject to the approval of the Dividend Distribution Plan for the Year at the AGM, it is expected to distribute cash dividend to A Shareholders and H Shareholders on 4 July 2023 and 31 July 2023, respectively.

The possible risk factors and corresponding strategies in respect of the future development of the Company are analyzed by the Company in Section III "Management Discussion and Analysis" of this Report. Investors are advised to review it.

The Report contains forward-looking statements which involve subjective assumptions and judgments of future policies and economic conditions. These statements are subject to risks, uncertainties and assumptions. The actual outcomes may be substantially different from these statements. Investors should exercise caution that inappropriate reliance on and usage of such information may lead to investment risks.

The Report is prepared in both Chinese and English. In case of any discrepancies, the Chinese version shall prevail.

SECTION I. IMPORTANT NOTICE AND DEFINITIONS

DEFINITIONS

In this Report, unless the context otherwise requires, the following expressions shall have the following meanings:

“Company”	Livzon Pharmaceutical Group Inc.* (麗珠醫藥集團股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability, whose H Shares and A Shares are listed on the main board of the Hong Kong Stock Exchange and the main board of the Shenzhen Stock Exchange respectively
“Group”	the Company and its subsidiaries
“Board”	the board of directors of the Company
“Director(s)”	director(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Supervisor(s)”	supervisor(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“A Share(s)”	the ordinary shares in the registered capital of the Company with a nominal value of RMB1.00 each, which are listed and traded on the main board of the Shenzhen Stock Exchange
“B Share(s)”	domestically listed foreign shares originally issued by the Company
“H Share(s)”	the ordinary shares in the registered capital of the Company with a nominal value of RMB1.00 each, which are listed and traded on the main board of the Hong Kong Stock Exchange
“A Shareholder(s)”	holder(s) of A Shares of the Company
“H Shareholder(s)”	holder(s) of H Shares of the Company
“Year”, “Reporting Period” or “Period”	the twelve months from 1 January to 31 December 2022
“Same Period Last Year”, “Previous Period” or “Previous Year”	the twelve months from 1 January to 31 December 2021
“End of the Previous Year” or “End of the Previous Period”	31 December 2021
“Beginning of the Year”, “Beginning of the Reporting Period” or “Beginning of the Period”	1 January 2022

SECTION I. IMPORTANT NOTICE AND DEFINITIONS

“End of the Year”, “End of the Reporting Period” or “End of the Period”	31 December 2022
“CSRC”	China Securities Regulatory Commission
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange
“CSDCC”	Shenzhen Branch of China Securities Depository and Clearing Corporation Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“China Accounting Standards for Business Enterprises”	Accounting Standards for Business Enterprises – Basic Standard and 38 specific accounting standards, promulgated on 15 February 2006 and the Application Guidance to Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other related requirements subsequently promulgated by the Ministry of Finance of the PRC
“Company Law”	the Company Law of the People’s Republic of China
“Securities Law”	the Securities Law of the People’s Republic of China
“Shenzhen Listing Rules”	the Stock Listing Rules of the Shenzhen Stock Exchange
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Corporate Governance Code”	the Code of Corporate Governance as set out in Appendix 14 of the Hong Kong Listing Rules
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules
“SFO”	Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Articles of Association”	the Articles of Association of Livzon Pharmaceutical Group Inc.* 《麗珠醫藥集團股份有限公司章程》
“B-To-H Share Conversion”	conversion of the domestically listed foreign shares (B Shares) of the Company into H Shares by way of introduction for listing and trading on the main board of the Hong Kong Stock Exchange
“Joincare”	Joincare Pharmaceutical Industry Group Co., Ltd.* (健康元藥業集團股份有限公司) (Shanghai Stock Exchange stock code: 600380), a joint stock company incorporated under the laws of the PRC and listed on the main board of the Shanghai Stock Exchange in 2001 and one of the Company’s controlling shareholders

SECTION I. IMPORTANT NOTICE AND DEFINITIONS

“Joincare Group”	Joincare and its subsidiaries (excluding the Group)
“Baiyeyuan”	Shenzhen Baiyeyuan Investment Co., Ltd.* (深圳市百業源投資有限公司)
“Topsino”	Topsino Industries Limited* (天誠實業有限公司)
“Begol”	Guangzhou Begol Trading Holdings Limited* (廣州市保科力貿易公司)
“Jiaozuo Hecheng”	Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.* (焦作麗珠合成製藥有限公司)
“Livzon MAB”	Livzon MABPharm Inc.* (珠海市麗珠單抗生物技術有限公司)
“Xinbeijiang Pharma”	Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.* (麗珠集團新北江製藥股份有限公司)
“Fuzhou Fuxing”	Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd.* (麗珠集團福州福興醫藥有限公司)
“Ningxia Pharma”	Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd.* (麗珠集團(寧夏)製藥有限公司)
“Pharmaceutical Factory”	Livzon Group Livzon Pharmaceutical Factory* (麗珠集團麗珠製藥廠)
“Livzon Diagnostics”	Zhuhai Livzon Diagnostics Inc.* (珠海麗珠試劑股份有限公司)
“Sichuan Guangda”	Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd.* (四川光大製藥有限公司)
“Shanghai Livzon”	Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd.* (上海麗珠製藥有限公司)
“Jiaozuo Joincare”	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd.* (焦作健康元生物製品有限公司)
“Haibin Pharma”	Shenzhen Haibin Pharmaceutical Co., Ltd.* (深圳市海濱製藥有限公司)
“Blue Treasure Pharma”	Guangdong Blue Treasure Pharmaceutical Co., Ltd.* (廣東藍寶製藥有限公司)
“Sanmed Gene”	Zhuhai Sanmed Gene Diagnostics Ltd.* (珠海市聖美基因檢測科技有限公司) (formerly known as Livzon Gene Diagnostics Inc.* (珠海市麗珠基因檢測科技有限公司))
“Lizhu HK”	Lizhu (Hong Kong) Co., Limited* (麗珠(香港)有限公司)
“Sanmed Biotech”	Zhuhai Sanmed Biotech Inc.* (珠海聖美生物診斷技術有限公司)

SECTION I. IMPORTANT NOTICE AND DEFINITIONS

"Livzon Biologics" or "Livzon Cayman"	Livzon Biologics Limited
"Livzon International"	Livzon International Limited
"Joincare BVI"	Joincare Pharmaceutical Group Industry Co., Ltd
"Livzon HK"	Livzon Biologics Hong Kong Limited (麗珠生物科技香港有限公司)
"LivzonBio"	LivzonBio, Inc.* (珠海市麗珠生物醫藥科技有限公司)
"PRC" or "China"	the People's Republic of China
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"HK\$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"MOP"	Macau Patacas, the lawful currency of Macau
"US\$" or "USD"	US dollars, the lawful currency of the United States
"JPY"	Japanese Yen, the lawful currency of Japan
"Euro"	Euro, the currency of 19 nations of the European Union
"Cninfo"	www.cninfo.com.cn (巨潮資訊網)
"Company's website"	the website of the Company (www.livzon.com.cn)
"HKEXnews"	the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk)
"COVID-19 virus"	a new coronavirus called SARS-CoV-2
"COVID-19 vaccine(s)"	vaccine(s) for the SARS-CoV-2
"R&D"	research and development

SECTION I. IMPORTANT NOTICE AND DEFINITIONS

"CE"	Conformité Européenne (CE), being the certification of the product by European Union, indicating that the product has met the safety requirements stipulated by the European Directives. The access condition for a product to enter the EU market are that the product has passed the corresponding conformity assessment procedures and the declaration of conformity of a manufacturer, with attachment of CE mark
"IND"	Investigational New Drug
"BD"	Business Development
"CEP"	Certification of Suitability to Monograph of European Pharmacopoeia
"EHS"	Environment, Health and Safety
"FDA"	Food and Drug Administration
"GMP"	Good Manufacturing Practice
"GAP"	Good Agriculture Practice
"QC"	Quality Control
"MVR"	Mechanical Vapor Recompression

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

I. COMPANY INFORMATION

	A Shares	H Shares
Stock abbreviation	Livzon Group	Livzon Pharma ^{Note 1} , 麗珠 H 代 ^{Note 2}
Stock code	000513	01513 ^{Note 1} , 299902 ^{Note 2}
Amended stock abbreviation (if any)	Not applicable	
Stock exchange of listed securities	Shenzhen Stock Exchange	The Stock Exchange of Hong Kong Limited
Chinese name of the Company	麗珠醫藥集團股份有限公司	
Abbreviation of the Chinese name	麗珠集團	
English name of the Company	LIVZON PHARMACEUTICAL GROUP INC.*	
Abbreviation of the English name	LIVZON GROUP	
Legal representative of the Company	Zhu Baoguo (朱保國)	
Registered address in the PRC	Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai City, Guangdong Province, the PRC	
Postal code of registered address in the PRC	519090	
Changes in the history registered address of the Company	Subject to consideration and approval at the general meeting of the Company, it was changed into the above registered place on 6 November 2013	
Office address in the PRC	Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai City, Guangdong Province, the PRC	
Postal code of office address in the PRC	519090	
Principal place of business in Hong Kong	Unit 1301, 13/F, China Evergrande Centre, 38 Gloucester Road, Wan Chai, Hong Kong	
Company's website	www.livzon.com.cn	
E-mail	LIVZON_GROUP@livzon.com.cn	

Note 1: On 16 January 2014, the Company's domestically listed foreign shares (B Shares) were converted into overseas listed foreign shares (H Shares) by way of introduction for listing and trading on the main board of the Hong Kong Stock Exchange. The stock code of the H Shares of the Company is "01513" and the stock abbreviation thereof is "Livzon Pharma".

Note 2: The abbreviation and the stock code are only used by domestic Shareholders of original B Shares of the Company in respect of their trading of H Shares of the Company after the listing of H Shares of the Company on the main board of the Hong Kong Stock Exchange.

* For identification purpose only

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

II. CONTACT PERSONS AND CONTACT DETAILS

	Secretary to the Board	Representative of securities affairs
Name	Yang Liang (楊亮)	Ye Delong (葉德隆)
Address	Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai City, Guangdong Province, the PRC	
Telephone	(86) (0756) 8135990	(86) (0756) 8135992
Fax	(86) (0756) 8891070	(86) (0756) 8891070
E-mail	yangliang2014@livzon.com.cn	yedelong@livzon.com.cn

DRUG PREPARATION PRODUCTS

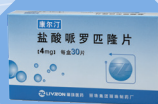
Ilaprazole Enteric-Coated Tablets
For treatment of duodenal ulcers and reflux esophagitis.

Leuporelin Acetate Microspheres for Injection
Endometriosis; hysteromyoma; premenopausal breast cancer with estrogen receptor positive; prostate cancer; central precocious puberty.

Perospirone Hydrochloride Tablets
For treatment of schizophrenia.

Anti-viral Granules
Used for clearing heat, eliminating dampness, cooling blood and detoxifying. For treatment of upper respiratory tract infection and influenza.

Recombinant SARS-CoV-2 Fusion Protein Vaccine
Used to prevent diseases caused by SARS-CoV-2 infection.



Ilaprazole Sodium for Injection
For treatment of Peptic ulcer hemorrhage.

Urofollitropin for Injection
For treatment of anovulation and suffers for whom Clomifene Citrate produces no curative effect and to assist ovarian hyperstimulation of reproductive technology.

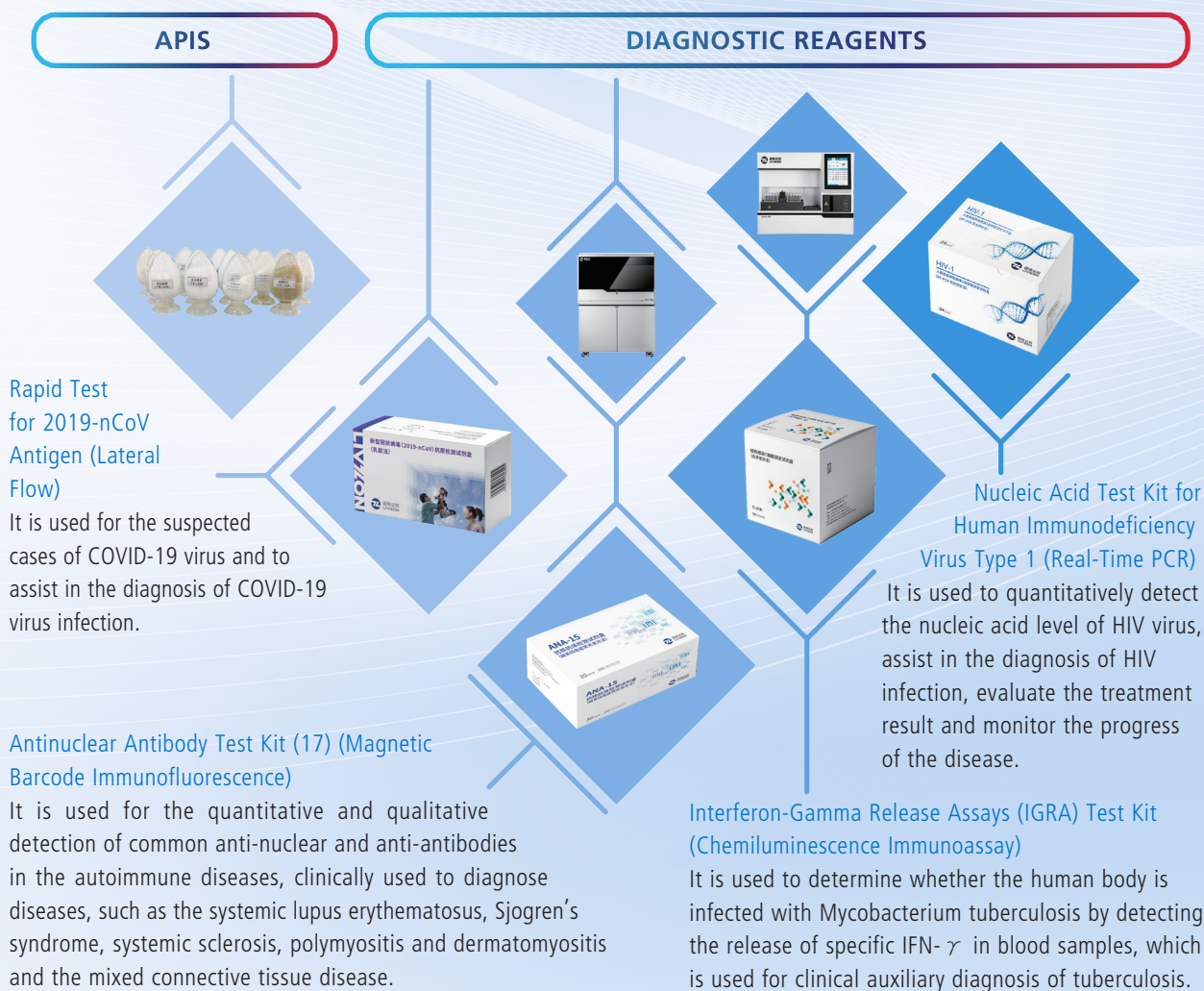
Shenqi Fuzheng Injection
Benefiting vital energy and strengthening physique. For treatment of weakness and tiredness, lassitude, spontaneous sweating, vertigo which are caused by the energy deficiency of lung and spleen; the adjuvant therapy for the patients of lung cancer and stomach cancer with the above symptoms.

Tocilizumab Injection
For treatment of rheumatoid arthritis; based on therapeutic plans for COVID-19, it may be applied to severe COVID-19 patients with significant increases of IL-6 level in laboratory tests.

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

III. INFORMATION DISCLOSURE AND PLACES FOR INSPECTION

Stock exchange websites for the disclosure of the Company's annual report	www.szse.cn and www.hkexnews.hk
Name and websites of media for the disclosure of the Company's annual report	China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily and Cninfo (www.cninfo.com.cn)
Websites for publication of the Report in Hong Kong	www.hkexnews.hk and the Company's website (www.livzon.com.cn)
Place at which the Report is available for inspection	Secretariat for the Board of the Company and the Company's principal place of business in Hong Kong



SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

IV. CHANGE OF REGISTRATION DETAILS

United social credit code	914404006174883094
Change in principal activities of the Company since listing (if any)	No change
History of changes in controlling shareholders (if any)	There was no change in the controlling shareholders of the Company in the most recent decade

V. OTHER RELEVANT INFORMATION

1. Accounting firm appointed by the Company

Name of accounting firm	Grant Thornton (Special General Partnership)
Office address of accounting firm	5th Floor, Scitech Palace, 22 Jianguomen Wai Avenue, Chaoyang District, Beijing
Name of signing accountants	Li Encheng (李恩成) and Wei Heng (魏姮)

2. Authorized Representatives and Institutions Appointed by the Company Pursuant to the Hong Kong Listing Rules

Authorized representatives appointed pursuant to the Hong Kong Listing Rules	Tang Yanggang (唐陽剛) and Yang Liang (楊亮)
Company Secretary	Yang Liang (楊亮)
Alternate authorized representative	Yuan Ailing (袁藹鈴)
Name of H Share Registrar	Tricor Investor Services Limited
Address of H Share Registrar	17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

V. OTHER RELEVANT INFORMATION *(continued)*

3. Sponsor appointed by the Company for performing continuous supervisory responsibilities during the Year

Applicable Not applicable

Name of the sponsor	Office address of the sponsor	Name of the sponsor representatives	Period of continuous supervision
Minsheng Securities Co., Ltd.	No. 8 Pu Ming Road, China (Shanghai) Pilot Free Trade Zone	Yu Chunyu (于春宇) and Chen Yu (陳雨)	From 20 September 2016 to 31 December 2022

Note: According to the relevant requirements under the Administrative Measures for the Sponsorship Business of the Issuance and Listing of Securities (證券發行上市保薦業務管理辦法), the date of listing of the new shares under the non-public issuance of shares was 20 September 2016, and the period of continuous supervision and guidance was the period from the date of listing of the shares under the non-public issuance to 31 December 2017. During the Reporting Period, the proceeds raised from the non-public issuance of shares by the Company has not been fully utilized and Minsheng Securities Co., Ltd., the Sponsor of the Company, shall continue to perform its duties of continuous supervision and guidance in respect of deposit and utilization of the proceeds.

4. Financial advisor appointed by the Company for performing continuous supervisory responsibilities during the Year

Applicable Not applicable

VI. EXPLANATION ON CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OR CORRECTION OF SIGNIFICANT ACCOUNTING ERRORS IN COMPARISON WITH THE FINANCIAL REPORT FOR THE LAST YEAR

Applicable Not applicable

During the Reporting Period, the Company had no changes in accounting policies and accounting estimates or correction of significant accounting errors.

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

VII. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS PREPARED IN ACCORDANCE WITH CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

1. Whether the Company has made retrospective adjustments or restatements of accounting data of prior years

Yes No

Unit: RMB'000

Item	2022	2021	Year-on-year change	2020	2019	2018
Operating income	12,629,579.05	12,063,863.27	4.69%	10,520,409.84	9,384,695.84	8,860,655.67
Net profit attributable to Shareholders of the Company	1,909,391.66	1,775,683.25	7.53%	1,714,910.39	1,302,875.44	1,082,174.91
Net profit attributable to Shareholders of the Company after deduction of extraordinary gains and losses	1,880,456.63	1,627,047.49	15.57%	1,431,549.40	1,191,535.17	947,216.31
Net cash flow from operating activities	2,772,671.30	1,902,328.14	45.75%	2,160,760.61	1,767,162.88	1,267,621.18
Total profit	2,330,550.61	2,245,688.83	3.78%	2,489,435.69	1,727,542.39	1,416,674.35
Basic earnings per share (RMB/share)	2.04	1.90	7.37%	1.83	1.39	1.16
Diluted earnings per share (RMB/share)	2.04	1.90	7.37%	1.83	1.39	1.16
Basic earnings per share after deduction of extraordinary gains and losses (RMB/share)	2.01	1.74	15.59%	1.53	1.27	1.02
Weighted average return on equity	14.31%	14.32%	Decreased by 0.01 percentage points	14.86%	12.02%	10.15%
Return on equity attributable to Shareholders of the Company	13.76%	13.66%	Increased by 0.10 percentage points	14.16%	11.67%	10.16%
Ratio of equity attributable to Shareholders of the Company to total assets	55.81%	58.13%	Decreased by 2.32 percentage points	58.80%	62.12%	61.09%

Item	31 December 2022	31 December 2021	Change as at the End of the Year from the Beginning of the Year	31 December 2020	31 December 2019	31 December 2018
Total assets	24,864,825.37	22,371,915.59	11.14%	20,590,815.79	17,976,463.12	17,437,346.86
Total liabilities	9,928,573.77	8,060,890.80	23.17%	6,950,733.80	5,701,225.54	5,687,469.95
Net assets attributable to Shareholders of the Company	13,876,020.67	13,003,763.63	6.71%	12,107,241.90	11,166,752.45	10,651,977.47
Share capital	935,552.69	937,865.12	-0.25%	944,835.40	934,762.68	719,050.24
Shareholders' equity per share attributable to Shareholders of the Company (RMB/share)	14.83	13.87	6.92%	12.81	11.95	14.81

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

VII. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS PREPARED IN ACCORDANCE WITH CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES *(continued)*

1. Whether the Company has made retrospective adjustments or restatements of accounting data of prior years *(continued)*

The lower of the Company's net profit before or after deduction of extraordinary gains or losses for each of the latest three accounting years is negative, and the audit report for the latest year indicates that there is uncertainty about the Company's ability to continue as a going concern

Yes No

The lower of the net profit before or after deduction of extraordinary gains or losses is negative

Yes No

Total share capital of the Company as at the trading day prior to disclosure:

Total share capital of the Company as at the trading day prior to disclosure (shares)	935,552,687
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Fully diluted earnings per share based on the most updated share capital:

Dividends paid for preferred shares	–
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Interest paid for perpetual bonds (RMB)	–
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Fully diluted earnings per share based on the most updated share capital (RMB/share)	2.04
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2. Whether corporate debts exist

Yes No

3. Whether the Company has incurred losses in the latest two consecutive years

Yes No Not applicable

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

VIII. DIFFERENCES IN ACCOUNTING DATA UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

1. Differences in net profit and net assets between financial reports disclosed concurrently under international accounting standards and China Accounting Standards

Applicable Not applicable

2. Differences in net profit and net assets between financial reports disclosed concurrently under foreign accounting standards and China Accounting Standards

Applicable Not applicable

3. Explanation on reasons for the differences in accounting data under domestic and foreign accounting standards

Applicable Not applicable

IX. QUARTERLY PRINCIPAL FINANCIAL INDICATORS

Unit: RMB

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating income	3,479,027,465.92	2,823,537,744.68	3,185,688,204.81	3,141,325,632.25
Net profit attributable to shareholders of the Company	553,293,797.77	464,251,992.26	489,254,328.37	402,591,546.23
Net profit attributable to shareholders of the Company after deduction of extraordinary gains and losses	561,046,433.69	485,377,040.81	462,530,618.00	371,502,534.95
Net cash flow from operating activities	710,308,938.96	716,076,874.22	421,537,956.57	924,747,525.28

Whether significant differences exist between the above financial indicators or their total amounts and the relevant financial indicators in the quarterly reports or interim reports already disclosed by the Company

Yes No

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

X. ITEMS AND AMOUNTS OF EXTRAORDINARY GAINS AND LOSSES

Applicable Not applicable

Item	<i>Unit: RMB</i>		
	Amount in 2022	Amount in 2021	Amount in 2020
Gains and losses on disposal of non-current assets (including the written-off portion of provisions made for asset impairment)	860,661.89	9,457,741.32	102,626,734.17
Government grants included in profit and loss for current period (except for government grants closely associated with corporate businesses, entitled at fixed amount or fixed level according to the national unified standards)	180,854,828.13	206,479,154.93	215,501,383.39
Profit or loss on debt restructuring	-	-	-298,617.11
Gains and losses on fair value changes incurred from financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and investment income on disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments, except for effective hedging activities related to the ordinary operating business of the Company	-97,711,369.19	1,975,577.48	40,989,100.48
Other non-operating income and expenses apart from the above items	-20,005,007.48	-21,301,165.09	-11,013,482.07
Less: income tax effect	18,392,207.16	30,284,932.60	48,109,083.87
Effect of minority interests (after tax)	16,671,869.01	17,690,611.93	16,335,046.31
Total	28,935,037.18	148,635,764.11	283,360,988.68

Explanation on defining the items of extraordinary gains or losses illustrated in the "Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No.1 – Extraordinary Gains or Losses" as recurring gains or losses

Applicable Not applicable

During the Year, the Company had not defined any extraordinary gains or losses illustrated in the "Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No.1 – Extraordinary Gains or Losses" as recurring gains and losses.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

I. THE INDUSTRY SITUATION IN WHICH THE COMPANY OPERATES DURING THE REPORTING PERIOD

1. Basic information, development stage, cyclical characteristics of the industry in which the Company operates and the position of the Company within the industry

The industry in which the Company operates is the pharmaceutical manufacturing industry. The pharmaceutical industry is a national strategic emerging industry and an integral part of the national economy. In 2022, the reforms in the pharmaceutical and health system further deepened, and the environment for innovation continued to improve. The pharmaceutical industry continued to make progress in the direction of high-quality development by seeking transformation and upgrading and encouraging innovation.

The Group is primarily engaged in the R&D, production and sale of pharmaceutical products, which cover drug preparation products, active pharmaceutical ingredients ("APIs") and intermediates, as well as diagnostic reagents and equipment, covering a wide range of therapeutic fields such as gastroenterology, assisted reproduction, psychiatry and tumor immunity, and has formed a relatively complete product portfolio.

The Company regards R&D and innovation as the foundation of sustainability, the R&D pipeline focuses on unmet clinical needs, places emphasis on innovative drugs and high-barrier complex preparations, and further strengthens innovative R&D and business layout of psychiatry and tumor immunity products, on the basis of original advantageous fields such as assisted reproduction and gastroenterology. Meanwhile, while continuously strengthening independent innovation, the Company also pays attention to cutting-edge technologies, strengthens external cooperation, actively develops innovative business cooperation models in the global market, and advances its international presence.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

I. THE INDUSTRY SITUATION IN WHICH THE COMPANY OPERATES DURING THE REPORTING PERIOD *(continued)*

2. Significant impact of newly promulgated laws, administrative regulations, departmental rules and industry policies on the industry in which the Company operates

- (1) On 30 January 2022, nine departments, namely the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Commerce, the National Health Commission, the Ministry of Emergency Management, the National Healthcare Security Administration (“NHS”), the National Medical Products Administration and the National Administration of Traditional Chinese Medicine, jointly issued the “14th Five-Year Plan for the Development of the Pharmaceutical Industry” (the “Plan”). The Plan clarifies the development goals for the next five years: by 2025, major economic indicators will achieve medium-high growth, innovation achievements in frontier fields will be prominent, innovation driving force will be strengthened, the modernization level of industrial chain will be significantly improved, the supply and guarantee system of pharmaceutical devices will be further improved, and internationalization will be advanced in an all-round way. The Plan puts forward goals for the pharmaceutical industry in terms of scale efficiency, innovation-driven development transformation, industrial chain and supply chain, drug and equipment supply and international development. The pharmaceutical industry is expected to enter into a new round of sustainable development.
- (2) On 29 March 2022, the General Office of the State Council issued the “14th Five-Year Plan for the Development of Traditional Chinese Medicine” (the “Plan for TCM”), which is the first five-year plan for the development of traditional Chinese medicine issued by the General Office of the State Council since the founding of new China, and an overall, strategic and supportive plan for the development of traditional Chinese medicine following the “Outline of the Strategic Plan for the Development of Traditional Chinese Medicine (2016-2030)”, the “Opinions of the CPC Central Committee and the State Council on Promoting the Inheritance, Innovation and Development of Traditional Chinese Medicine”, and the “Several Policies and Measures for Accelerating the Development of Traditional Chinese Medicine with Distinctiveness”, as well as a programmatic document for implementing the decisions and arrangements of the Communist Party of China (the “CPC”) Central Committee and the State Council on traditional Chinese medicine work and promoting the revitalization and development of traditional Chinese medicine during the 14th Five-Year Plan period. The Plan for TCM integrates key areas such as medical treatment, scientific research, industry, education, culture and international cooperation, gives full play to the diversified value of traditional Chinese medicine, and sets out new ideas and key tasks for the high-quality development of traditional Chinese medicine. A series of relevant policies demonstrate the government’s emphasis on the traditional Chinese medicine industry and its confidence in the future development of the industry, and also bring more development opportunities to related enterprises of traditional Chinese medicine.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

I. THE INDUSTRY SITUATION IN WHICH THE COMPANY OPERATES DURING THE REPORTING PERIOD *(continued)*

2. Significant impact of newly promulgated laws, administrative regulations, departmental rules and industry policies on the industry in which the Company operates *(continued)*

- (3) On 25 May 2022, the General Office of the State Council issued the “Key Tasks for Further Reform of the Medical and Healthcare System in 2022” (the “Task”), which has listed 4 aspects and 21 key tasks, so as to speed up fostering a new and orderly medical service and and diagnosis and treatment pattern, further extend the experience gained from the medical reform in Sanming city, improve the ability of public health services and promote the high-quality development of medicine and healthcare. The overall requirements of the Task are to comprehensively facilitate the construction of a healthy China, further extend the experience of medical reform in Sanming City, promote the expansion and balanced distribution of high-quality medical resources, deepen the interconnected reform of medical care, medical insurance, and medicine, continue to promote the transformation from treatment oriented strategy to health oriented strategy, and strive to address the problem of inadequate and overly expensive medical services. Other periodic development requirements are raised over the pharmaceutical industry.
- (4) On 13 June 2022, the NHSA released the “Work Plan for the Adjustment to 2022 Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《2022 年國家基本醫療保險、工傷保險和生育保險藥品目錄調整工作方案》)” and related documents for public comments, marking the official start of current round of adjustment to the National Reimbursement Drug List. This adjustment to the reimbursement drug list fully reflects the national concern on the drugs for rare diseases and children’s drugs, on the basis of constant support for COVID-19 treatment drugs and the innovative drugs. On 6 September 2022, the NHSA released the “List of Declared Drugs that Have Passed the Preliminary Review in Accordance with the Adjustment to 2022 Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《2022 年國家基本醫療保險、工傷保險和生育保險藥品目錄調整通過初步形式審查的申報藥品名單》)”, 344 types of products were shortlisted. The national medical insurance negotiations for 2022 were held during the period of 5-8 January 2023.
- (5) Since the outbreak of the COVID-19, the CPC Central Committee with Comrade Xi Jinping at the core has attached great importance hereto. China’s prevention and control has always put people and their lives first. All departments in different regions have cooperated closely and performed their duties diligently to dynamically optimize the prevention and control measures depending on the time and the situation, and continuously improve the level of scientific and precise prevention and control. The 1.4 billion people have united to fight the pandemic with tenacity and dedication, and have effectively responded to virus attack, successfully prevented the widespread ubfectuibs with the more pathogenic original strains and Delta variant, which has greatly reduced severe cases and fatality rate, and has also won valuable time for the R&D and application of vaccines and drugs and preparation of medical resources, etc. With the virus mutation, sufficient vaccine coverage and the accumulated experience in prevention and control, the prevention and control in China has entered a new stage. Comprehensively assessing the factors such as virus mutation and China’s pandemic response basis, on 26 December 2022, the Joint Mechanism of the State Council on Prevention and Control of COVID-19 formulated the Overall Plan for “Managing COVID-19 with Measures Against Class B Infectious Diseases” (《關於對新冠感染實施“乙類乙管”的總體方案》), China is well-positioned to adjust the policy from “Class B infectious disease with Class A Administrative Measures” to “Class B infectious disease with Class B Administrative Measures”.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE YEAR

During the Year, there was no material change in the principal businesses of the Group. The Group was primarily engaged in the R&D, production and sale of pharmaceutical products, which covered drug preparation products, APIs and intermediates as well as diagnostic reagents and equipment. Major products include drug preparation products such as Ilaprazole (Ilaprazole Enteric-Coated Tablets and Ilaprazole Sodium for Injection) (壹麗安(艾普拉唑腸溶片及注射用艾普拉唑鈉)), a series of Bismuth Potassium Citrate (麗珠得樂(枸橼酸鉍鉀)) products, Rabeprazole Sodium Enteric-Coated Capsules (麗倍樂(雷貝拉唑鈉腸溶膠囊)), Weisanlian (Bismuth Potassium Citrate Tablets/Tinidazole Tablets/Clarithromycin Tablets (維三聯(枸橼酸鉍鉀片/替硝唑片/克拉霉素片)), Leuprorelin Acetate Microspheres for Injection (貝依(注射用醋酸亮丙瑞林微球)), Urofollitropin for Injection (麗申寶(注射用尿促卵泡素)), Menotropins for Injection (樂寶得(注射用尿促性素)), Voriconazole for Injection (麗福康(注射用伏立康唑)), Fluvoxamine Maleate Tablets (瑞必樂(馬來酸氟伏沙明片)), Perospirone Hydrochloride Tablets (康爾汀(鹽酸哌羅匹隆片)), Shenqi Fuzheng Injection (參芪扶正注射液), and Anti-viral Granules (抗病毒顆粒); APIs and intermediates such as Mevastatin (美伐他汀), Acarbose (阿卡波糖), Colistin Sulfate (硫酸黏菌素), Phenylalanine (苯丙氨酸), Vancomycin Hydrochloride (鹽酸萬古霉素), Daptomycin (達托霉素), Milbemycin Oxime (米爾貝肟) and Ceftriaxone Sodium (頭孢曲松鈉); and diagnostic reagents such as Rapid Test for Mycoplasma Pneumoniae IgM Antibody (Lateral Flow) (肺炎支原體 IgM 抗體檢測試劑(膠體金法)), Diagnostic Kit for Human Immunodeficiency Virus Antibody (ELISA) (人類免疫缺陷病毒抗體診斷試劑盒(酶聯免疫法)) and Antinuclear Antibody Test Kit (17) (Magnetic Barcode Immunofluorescence (抗核抗體檢測試劑盒(磁條碼免疫螢光法))).

In 2022, under the environment of the stricter regulatory and access policies over the industry in China, the Group has been adhering to the mission of “prioritizing the quality of life of the patients” and the vision of “becoming a leader in the pharmaceutical industry”, with a focus on the steady operation and development layout of its core business of innovating new drugs. In operational management, the Company consistently utilized its advantages in diversified business structure and operational management, actively responded to the industry and market challenges, further improved the operational management and R&D efficiency, made greater efforts in digital transformation, and continued to enhance the competitive advantages of its products in the various aspects such as products’ clinical evidence, quality, costs and market share, thereby realizing the stability and growth in revenue from the principal businesses, while further consolidating the foundation and capabilities for the sustainability of the Group.

During the Year, the Group recorded an operating income of RMB12,629.58 million, representing an increase of 4.69% as compared with RMB12,063.86 million of the Previous Year, and a net profit attributable to Shareholders of the Company of RMB1,909.39 million, representing an increase of 7.53% as compared with RMB1,775.68 million of the Previous Year. Excluding extraordinary gains and losses, the Company’s net profit attributable to its Shareholders generated from principal businesses in 2022 was RMB1,880.46 million, representing an increase of 15.57% as compared with RMB1,627.05 million of the Previous Year.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE YEAR *(continued)*

In 2022, the progress of major tasks in various business segments of the Group was set out as follows:

(1) Chemical drug preparations

During the Year, the Group realized sales revenue of RMB6,999.78 million from chemical drug preparation products, representing a year-on-year increase of 0.02% and accounting for 55.89% of the Group's income from principal businesses.

During the Reporting Period, the Group actively implemented sales arrangements and intensified the promotion of products and brands by: (i) focusing on terminal resources, with KA (Key Account) hospitals, Class 3 hospitals and key Class 2 hospitals being the key terminal assessment direction, and enhancing the assessment of coverage rate and accomplishment rate of core products. During the Reporting Period, the hospital coverage rate of psychiatric products and Ilaprazole series (艾普拉唑系列) products continued to increase; (ii) insisting on evidence-based marketing and strengthened medicine-driven approach, and proceeding the clinical and pharmaco-economics research of key products in the post-launch stage in an orderly manner; (iii) strengthening the linkage of online and offline prescription drugs with a focus on "patients", continuously improving the construction of online doctor content and strengthening offline chain cooperation, patient services and operations so as to enhance brand awareness and patient satisfaction; (iv) following up on the national medical reform policies and local measures with effect in various regions, and core work on market access such as medical insurance and tender invitation was solidly completed; (v) in terms of international business layout, strengthening the access and promotion of products in the fields including assisted reproduction, gastroenterology and antiviral in countries and regions such as Pakistan, Indonesia, Philippines, Malaysia and Uzbekistan. In 2022, the Company's key products, Ilaprazole Sodium for injection (注射用艾普拉唑鈉) and Ilaprazole Enteric-Coated Tablet (艾普拉唑腸溶片) were successfully granted the launch approval in Indonesia.

The Group continued to pay attention to new molecules and cutting-edge technologies in the field of global new drug R&D, made layout of innovative drugs and high-barrier complex preparations based on clinical value and differentiated prospect, and focused on the fields of gastroenterology, psychiatry, assisted reproduction and anti-tumor, under which a differentiated product pipeline covering the full cycle of R&D was continuously developed and formed. During the Reporting Period, the Company optimized the management structure of the medical, clinical operation and registration teams to comprehensively cover the multi-dimensional management such as clinical research, clinical operation implementation, registration and pharmacovigilance, and effectively promoted the key projects of chemical drug preparations under research. Important progressive developments in 2022 were as follows:

High-barrier complex preparations including microspheres: Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) (1-month sustained release) to the indication for prostate cancer has completed supplementary information and submitted to CDE, and the Phase III clinical trial of endometriosis has been enrolled; Aripiprazole Microspheres for Injection (注射用阿立呱唑微球) (1-month sustained release) completed the phase I multiple-dose clinical trial existing and all follow-up of subjects, and clinical data analysis was completed.

Other key projects in the development track: Blonanserin Tablets (布南色林片), new indication of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) and Lurasidone Hydrochloride Tablets (鹽酸魯拉西酮片) were applied for production; Cetrorelix Acetate for Injection (注射用醋酸西曲瑞克) was in the process of submitting supplementary materials for registration and in the development track in U.S.

Key projects for consistency evaluation: Clarithromycin Tablets (克拉霉素片), Valsartan Capsules (纈沙坦膠囊), Isosorbide Mononitrate Tablets (單硝酸異山梨酯片), Cefodizime Sodium for Injection (注射用頭孢地嗪鈉), Cefuroxime Sodium for Injection (注射用頭孢呋辛鈉) and Pantoprazole Sodium for Injection (注射用泮托拉唑鈉) have been approved.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE YEAR *(continued)*

(1) Chemical drug preparations *(continued)*

In respect of production and quality management, the Company continued to improve product delivery capabilities, and continued to enhance and improve the quality system and pharmacovigilance system for the entire life cycle (product R&D, product production and product operation). During the Reporting Period, the quality supervision of production and scientific research continued a series of management models such as regular follow-up audits, special audits, extended checks and unannounced inspection so as to expand the scope and depth of inspections. In 2022, the quality management head office inspected the application of PDCA ("Plan-Do-Check-Act") management tool for various enterprises by unannounced inspection. With the continuous advancement of the PDCA model, the Group continued to deeply investigate the risks of products and systems, and fulfilled the Group's basic requirements of "daily settlement and precise GMP" for production quality work, and promoted the improvement of the corporate quality system. In addition, in response to the fierce market situation, the Company promoted refine production, improved production efficiency, reduced production and operation costs, strengthened training and risk management of critical suppliers on ESG social responsibility, and promoted the concept of energy saving, emission reduction and green production, which improved the supply capacity of the industrial chain and consolidated product competitiveness.

During the Reporting Period, in terms of international registration, 5 of the chemical drug preparation products of the Group were approved for registration and 6 new registrations were submitted in overseas markets. As at 31 December 2022, a total of 19 products specifications of the chemical drug preparations of the Group have been registered and approved in 11 overseas countries/regions.

(2) Biological products

During the Year, the Group realized sales revenue of RMB408.49 million from biological products, representing a year-on-year increase of 80.94% and accounting for 3.26% of the Group's income from principal businesses.

LivzonBio, a subsidiary of the Company, focused on promoting the conditional market launch application of Recombinant SARS-CoV-2 Fusion Protein Vaccine (LIKANG) (重組新型冠狀病毒融合蛋白疫苗 (麗康)) during the Reporting Period, and completed the phase III clinical principal analysis report of the sequential immunization and primary vaccination and the submission of application materials to CDE in February 2022 and May 2022, respectively. Currently used as a booster in more than 20 provinces and cities across the nation, V-01 was approved for emergency use in sequential booster immunization in China in June 2022 and was officially included in the national immunization program in September 2022. To meet the market demand, LivzonBio has completed the construction of the third preparation workshop (2-tests and 10-tests production line), which has been fully put into operation, on the basis of the existing 1 stock solution production line and 2 preparation production lines. In addition, in response to the global prevalence of COVID-19 variants, LivzonBio has developed a variety of variant vaccines and related bivalent vaccines and has explored the Booster Immunization Program for various vaccine combinations. During the Reporting Period, LivzonBio carried out the R&D of the bivalent vaccine BV-01-B5 of the prototype strain + Omicron strain. The data result shows that BV-01-B5 has a good cross-neutralization effect to various subtypes such as Omicron BA.4/5. Currently, complete clinical application materials of the bivalent vaccine have been submitted and the application is under CDE review.

On the other hand, LivzonBio continued to focus on new molecules, new targets and differentiated molecular designs in the fields of oncology, autoimmune diseases and assisted reproduction. During the Reporting Period, the following projects of biological products have achieved phase progress in R&D:

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE YEAR *(continued)*

(2) Biological products *(continued)*

Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素) was approved for market launch in 2021 as the first domestic generic drug and has started sales, and at the same time, its work related to overseas registration has been actively carried out, while its registration materials have been submitted in Indonesia, 5 countries in Central and South America, 2 countries in Central Asia, and Pakistan, among it has been approved for market launch in Tajikistan.

The Drug Marketing Authorization application of Tocilizumab Injection (托珠單抗注射液) (i.e. Recombinant Humanized Anti-human IL-6R Monoclonal Antibody Solution for Injection (重組人源化抗人 IL-6R 單克隆抗體注射液)) for rheumatoid arthritis indication has been approved. At the same time, it has been included in the 10th edition of the Diagnosis and Treatment Protocol for COVID-19 (trial) (《新型冠狀病毒感染診療方案(試行第十版)》) and the 4th edition of the Diagnosis and Treatment Protocol for Severe Cases of COVID-19 (trial) (《新型冠狀病毒感染重症病例診療方案(試行第四版)》). Under the nature of tight domestic supply for self-developed products at the end of 2022 and in early 2023, the approval of LivzonBio's Tocilizumab Solution for Injection for market launch has eased the supply shortage to a certain extent and made a "Livzon Contribution" once again to fight against the pandemic.

Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody Injection (重組抗人 IL-17A/F 人源化單克隆抗體注射液) has completed the phase II clinical trial and is preparing to conduct phase III clinical trial. The result shows that the product has the clinical advantages of faster onset of action, better and longer duration of efficacy, showing better efficacy as compared with IL-17A single-target agents (IL-17A 單靶點藥物) and is expected to provide a potentially better solution for the psoriasis treatment in China. In addition, its application to the ankylosing spondylitis indication jointly declared by LivzonBio and Beijing Kanova is under preliminary analysis of the interim data of the phase II clinical trial.

Semaglutide Injection (司美格魯肽注射液) has obtained clinical trial approval and the first phase III clinical centre has been in operation since December 2022.

In addition to advancing projects at the clinical stage, LivzonBio was also conducting R&D in the fields of bispecific antibodies and NKT cell therapy, etc.

With the successive approvals for market launch of its products, LivzonBio has enriched relevant teams such as pharmacovigilance, production quality and production-sales connection, gradually improved the GMP system and industrialization capabilities and enhanced the overall operational capabilities.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE YEAR *(continued)*

(3) APIs and intermediates

In 2022, the APIs business department adhered to the guiding ideology of “securing safety and environmental protection, ensuring quality, reducing costs, and capturing the market shares”, and continued to strengthen its efforts in various aspects of work on EHS, quality, production and sales to reduce costs and increase efficiency to seize the market. During the Year, the Group realized sales revenue of RMB3,138.26 million from APIs and intermediates products, representing a year-on-year increase of 7.89%, and accounting for 25.06% of the Group’s income from principal businesses.

In respect of marketing, in spite of the complex and severe global economic situation in 2022 and the intensifying competition for the sales of APIs, the APIs sales team has been deeply involved in the market, bucked the trend, and created an extremely satisfying result. The Group is also increasingly becoming the preferred strategic partner of leading enterprises in the global pharmaceutical industry in terms of APIs. The sales growth of high-end antibiotics and high-end pet drug products is significant, and many products have further maintained their advantages while preserving the largest global export market share. The sales volume of Daptomycin (達托霉素) and Milbemyacin (米爾貝胂), the special APIs products, grew remarkably. Meanwhile, the cefuroxime series products seized the opportunity of centralized bulk-buying in the domestic market, with an increase in both quantity and the price, and performed well. In addition, over 10 years of development, the pet deworming APIs of the Group have taken a large market share in the global market and established strategic partnerships with various multinational animal protection companies. The Group’s first pet preparation product – Imidacloprid and Moxidectin Spot-on Solutions (吡蟲啉莫昔克丁滴劑) product has been launched for sale in 2022.

In respect of R&D, (i) in terms of synthesis R&D: Fluralaner (氟雷拉納) and Afoxolaner (阿氟拉納), the high-end pet drugs, have carried out industrialized production of validation batch and registration application; (ii) in terms of animal health products: five specifications of one species have been granted the launch approval while the application for Moxidectin (莫昔克丁), a pour-on solution for large animals, and the introduction of external new products are in progress.

In 2022, each production enterprises of the Group’s APIs and intermediates continued to lay a solid foundation for environmental protection and safety, improved the quality research of existing products and optimized production processes. While promoting normalization of GMP, we actively promoted international registration certification.

In 2022, the Group obtained 4 certificates for international certification for APIs and intermediates, including 1 EU GMP certificate certifying Teicoplanin and Vancomycin Hydrochloride; and 3 CEP certificates (namely Moxidectin CEP certificate, Acarbose CEP certificate and Tobramycin CEP certificate, respectively).

As at 31 December 2022, a total of 32 APIs and intermediates products of the Group had completed 133 international registrations in 62 overseas countries/regions.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE YEAR *(continued)*

(4) Traditional Chinese Medicine Preparations

During the Year, the Group realized sales revenue of RMB1,253.63 million from the traditional Chinese medicine (“TCM”) preparation products, representing a year-on-year increase of 17.07%, accounting for 10.01% of the Group’s income from principal businesses.

During the Reporting Period, the Group deeply cultivated end markets such as grade hospitals, primary medical institutions and retail pharmacies, and continued to strengthen academic support for key products and research on clinical data evidence. In the “Expert Consensus on the Prevention and Treatment of Novel Coronavirus COVID-19 Pneumonia with Proprietary Chinese Medicines” (《中成藥防治新型冠狀病毒肺炎專家共識》) issued by the Chinese Traditional Medicine Association (中國中藥協會) in 2022, Anti-viral Granules (抗病毒顆粒) and other proprietary Chinese medicines are recommended for patients with mild and common symptoms mainly including fever, sore throat, and fatigue. Proprietary Chinese medicines including Anti-viral Granules (抗病毒顆粒) of the Company have also been included in the guidance consensus issued by various provinces and municipalities such as the “Technical Guideline for the Prevention and Control of Novel Coronavirus COVID-19 Pneumonia with Traditional Chinese Medicine in Sichuan Province (Eleventh Edition) 2022” (《四川省新型冠狀病毒肺炎中醫藥防控技術指南(第十一版)2022年》) as one of the recommended household necessity for prevention and treatment of the COVID-19 pandemic. At the same time, the Group further improved the clinical evidence-based medical research evidence of Shenqi Fuzheng Injection (參芪扶正注射液), strengthened its academic promotion, focused on the field of oncology treatment, and expanded its coverage to county-level medical institutions, resulting in a continuous growth in sales revenue from grassroots level.

In respect of R&D, based on diseases on which TCM have treatment advantages and clinical position of exclusive varieties, the Group focused on promoting the R&D progress of new projects such as “class 3.1 compound new drugs of famous ancient classical TCM (古代經典名方 3.1 類中藥複方新藥)”, “class 3.2 new Chinese medicines with improved dosage forms (劑型改良型 3.2 類中藥新藥)” and “class 1.1 new drugs of in-hospital TCM preparations (院內製劑中藥 1.1 類新藥)”, and the layout of new products. During the Reporting Period, there were a total of 8 projects in the development track for new TCM, among which, SXSHL gel, a new improved TCM, had completed the preclinical experiment research, and its application materials were under preparation and collation. TGDX granules, a class 1.1 new TCM, have completed the in-hospital preparations single-centre clinical trial and its first draft of the clinical trial summary report has been finished.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE YEAR *(continued)*

(5) Diagnostic reagents and equipment

During the Year, the Group realized sales revenue of RMB723.54 million from diagnostic reagents and equipment, representing a year-on-year decrease of 0.06%, and accounting for 5.78% of the Group's income from principal businesses.

In 2022, Livzon Diagnostics focused on market promotion and exploring regional benchmarking customers for product lines including autoantibody multiple test and nucleic acid detection for infectious diseases. During the Reporting Period, Livzon Diagnostics has developed a number of national and regional benchmarking customers for key products, and explored a number of provincial benchmarking customers in some provinces. Through bidding, winning bids and entering into the end user's market, the products were well recognized by customers, and the sales of autoimmune, molecular diagnostics and respiratory pathogen products have increased significantly. Rapid Test for 2019-nCoV Antigen (Lateral Flow) (新型冠状病毒(2019-nCoV)抗原检测试剂盒(乳胶法)) was granted the launch approval in April 2022, contributing the "Power of Livzon" in the fight against the COVID-19 pandemic.

In order to deepen the Group's strategic layout in the industrial chain of diagnostic reagents and increase the scale and strength of its diagnostic reagents segment, as well as to further strengthen the profitability and comprehensive competitiveness of Livzon Diagnostics, the general meeting of the Company approved the spin-off and listing of Livzon Diagnostics on the ChiNext Board of Shenzhen Stock Exchange in November 2020. Livzon Diagnostics completed the registration for filing of pre-listing tutoring at the Guangdong CSRC Bureau in November 2020. As at the disclosure date of the Report, Livzon Diagnostics has submitted a total of 9 progress report for tutoring.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE YEAR *(continued)*

(6) Commercial Development and Functional Management

While continuously strengthening independent innovation, the Group has been actively seeking opportunities of exploring cutting-edge technology and deploying international network of our products across the globe through various ways including cooperative development and licensing-in, thereby laying a solid foundation for the development of its advantageous fields, and realizing product iteration and technology platform construction at a fast pace but in a stable manner. During the Reporting Period, the Group picked up pace in BD: (i) we strengthened the licensing-in of varieties in core areas, and a number of projects in the psychiatry field and gastroenterology field, which have expanded the Group's R&D pipelines; the Group phased progress in cooperation projects, with the approval in the PRC for clinical trials of licensing-in Asenapine Transdermal patch (阿塞那平透皮貼劑) from LTS Lohmann Therapie-Systeme AG, a German company; (ii) while implementing the licensing-in strategy, the BD team has also been accelerating the pace of "out-licensing" of its projects: following the commercialization of PD-1, our first licensing-in innovative product from overseas, in 2021, the Group has been promoting international cooperation and out-licensing for its innovative products and pipeline, through negotiations for cooperation with various parties across the globe; (iii) our BD team further collaborated with the R&D team to keep abreast of latest mechanism of drug action and targets across the globe as well as the development of the related clinical application and research, thereby assisting the R&D team in building a full-cycle differentiated innovative product pipeline and enhancing core R&D capabilities. Meanwhile, the Company also strengthened its capabilities in overseas clinical trials and drug registration application to expand its network into international markets, and conducted the EUA application and registration, technology transfer and commercialization plan of Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗) project in multiple overseas countries during the Reporting Period.

The key tasks of the functional management of the Company were set out as follows: first, further strengthened the system construction and power of execution of standardized operation and risk control, and formulated a number of systems including the Patent Work Process and Trademark Management System of Livzon (《麗珠專利工作流程及商標管理制度》), the Compliance Management Standards for Imported Materials (《進口物資合規管理規範》) and the Suppliers Administrative Measures for Construction Projects of Livzon (《麗珠集團建設工程項目供應商管理辦法》); second, it put forward higher requirements and goals for the sustainability efforts, promulgated the assessment rules for ESG indicators and actively fulfilled social responsibilities. Meanwhile, ESG training has been launched across the Group, which allows the employees to learn various fields of knowledge in relation to anti-corruption, diversification, quality control, product safety and responsible marketing; third, further improved the organizational structure and institutional settings of the Company and some of its subsidiaries to improve R&D efficiency and established the clinical research management center to further accelerate the progress of clinical studies; fourth, continued to recruit first-class talents around the world by increasing its appeal to outstanding talents, while intensifying the efforts in identifying, cultivating and promoting young talents internally. During the Reporting Period, the Company introduced talents at all levels for departments of pharmaceutical research, clinical medicine, domestic and overseas BD and quality management.

According to the Repurchase Report of Livzon Pharmaceutical Group Inc. disclosed on 26 October 2022, the Company used RMB55,925,653.00 (excluding the transaction costs) in aggregate to repurchase a total of 1,696,100 A Shares during the Reporting Period. The repurchase plan of A Shares has not been implemented where such shares have not been cancelled so far. Pursuant to the general mandate to the Board to repurchase H Shares of the Company granted at the general meeting, on 10 May 2022, the Company cancelled 3,404,400 H Shares repurchased in 2021.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF CORE COMPETITIVE STRENGTHS

The Group adheres to the direction of three major strategies of “talent strategy, product strategy and market strategy” and upholds the mission of prioritizing the quality of life of the patients with the goal of becoming a leading pharmaceutical enterprise within the industry. The Group continuously improves the efficiency of management control and governance standards, accelerates the steady progress in R&D and enhances marketing management continuously, thereby achieving stable growth in the performance results. During the Reporting Period, the Group’s core competitiveness were further consolidated and enhanced, which were primarily reflected in the following aspects:

(1) Strong R&D capabilities and global R&D vision

The Group has strong R&D capabilities and global R&D vision in areas such as chemical drug preparation products and traditional Chinese medicine preparation products, biological products, APIs and intermediates, diagnostic reagents and equipment, and has established specialized technology platforms for R&D of sustained release microspheres and R&D of biological products with core leading R&D talents. By proactively introducing domestic and foreign experts and innovative talents, constantly increasing R&D investments, and developing overseas strategic alliances, the Group has established a clear and diverse R&D pipeline for products on areas of assisted reproduction, gastroenterology, psychiatry and neurology and tumor immunity, which further enhanced the R&D competitiveness of the Group.

(2) Diversified product mix and business layout

The products of the Group cover a number of pharmaceutical sub-sectors such as drug preparation products, APIs and intermediates, diagnostic reagents and equipment, and the Group has established an advantageous market position in a number of therapeutic fields such as assisted reproduction, gastroenterology, psychiatry, neurology and tumor immunity. Currently, the Company further focuses on innovative drug and high-barrier complex preparation. Under the policy of the consistency evaluation and centralized bulk-buying, the Group enjoys unique advantage in terms of APIs and will continue to increase its efforts to integrate APIs and preparation products.

(3) Comprehensive marketing system and professional marketing team

The Group refines its management on marketing activities by constantly improving the establishment of its marketing system, optimizing its incentive assessment mechanism and continuously strengthening terminal promotion strategies such as evidence marketing and academic marketing. Through optimization of resources allocation, a professional marketing team specialized in, among others, drug preparation products (including prescription medicines and non-prescription medicines), diagnostic reagents and APIs has been gradually established to form a more comprehensive marketing system. The Group has nearly 10,000 staff members serving in its marketing management teams for various business segments and providing professional sales services to the Group. The Group’s marketing network spreads across the PRC and has expanded into relevant overseas countries and regions, covering end-users such as leading medical institutions, chain drugstores, disease control centers, health authorities and pharmaceutical enterprises.

(4) Mature quality management system

The Group has established a multi-dimensional quality management system covering the business processes of production, scientific research and sales of its products. During the Reporting Period, the Group made continuous efforts to improve its quality management, while the effective overall management of production and operating quality of the Group and its sound quality management system has ensured the safety and stability of the Group’s products in various fields, further enhancing the market competitiveness of the Group’s products.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES

1. Summary

Please refer to “II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE YEAR” in Section III of the Report for relevant information.

2. The future development and plans disclosed in published documents such as prospectus, offering circular and asset restructuring report continued until the Reporting Period

Applicable Not applicable

None of the future development and plans which continued until the Reporting Period were disclosed in published documents such as prospectus, offering circular and asset restructuring report.

3. Segment information

The Group has one single operating segment in the PRC, i.e. pharmaceutical manufacturing. Accordingly, no operating segment information of the Group is presented.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES (continued)

4. Income and costs

(1) Composition of principal businesses

Unit: RMB

	2022		2021		Year-on-year change
	Amount	As a percentage of income of principal business	Amount	As a percentage of income of principal business	
Total income of principal businesses	12,523,690,143.29	100%	11,927,981,641.41	100%	4.99%
By industry					
Pharmaceutical manufacturing industry	12,523,690,143.29	100%	11,927,981,641.41	100%	4.99%
By product					
Chemical drug preparation products					
Gastroenterology products	3,435,898,370.29	27.44%	3,673,777,842.59	30.80%	-6.48%
Gonadotropic hormones products	2,590,683,630.30	20.69%	2,452,361,331.58	20.56%	5.64%
Psychiatry products	544,845,471.79	4.34%	412,158,371.47	3.45%	32.19%
Anti-infection products	383,778,874.06	3.06%	369,016,400.94	3.09%	4.00%
Other products	44,575,303.06	0.36%	91,345,990.56	0.77%	-51.20%
API and intermediate products	3,138,260,232.12	25.06%	2,908,744,977.39	24.39%	7.89%
Traditional Chinese medicine preparation products	1,253,625,014.77	10.01%	1,070,862,073.91	8.98%	17.07%
Biological products ^{Note}	408,488,131.90	3.26%	225,756,503.31	1.89%	80.94%
Diagnostic reagent and equipment products	723,535,115.00	5.78%	723,958,149.66	6.07%	-0.06%
By region					
Domestic	10,958,604,069.12	87.50%	10,389,430,628.94	87.10%	5.48%
Overseas	1,565,086,074.17	12.50%	1,538,551,012.47	12.90%	1.72%
By sales model					
Distribution	8,794,348,064.75	70.22%	8,670,834,076.59	72.69%	1.42%
Direct sales	3,729,342,078.54	29.78%	3,257,147,564.82	27.31%	14.50%

Note: Biological products include Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗), Mouse Nerve Growth Factor for Injection (注射用鼠神經生長因子), Bifidobacterium Viable Capsule (雙歧桿菌活菌膠囊), Recombinant Human Chorionadotropin alfa for Injection (注射用重組人絨促性素), etc.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

4. Income and costs *(continued)*

(2) Industries, products, regions and sales models representing over 10% of operating income or operating profit of the Company

Unit: RMB

	Income from principal businesses	Costs of principal businesses	Gross profit margin	Year-on-year change in income from principal businesses	Year-on-year change in costs of principal businesses	Year-on-year change in gross profit margin
By industry						
Pharmaceutical manufacturing industry	12,523,690,143.29	4,386,551,283.41	64.97%	4.99%	5.55%	Decreased by 0.19 percentage points
By product						
Chemical drug preparation products	6,999,781,649.50	1,487,979,837.65	78.74%	0.02%	-0.38%	Increased by 0.08 percentage points
API and intermediate products	3,138,260,232.12	2,028,545,420.82	35.36%	7.89%	-0.91%	Increased by 5.74 percentage points
Traditional Chinese medicine preparation products	1,253,625,014.77	410,577,883.24	67.25%	17.07%	46.66%	Decreased by 6.61 percentage points
Biological products	408,488,131.90	106,811,638.64	73.85%	80.94%	568.08%	Decreased by 19.07 percentage points
Diagnostic reagent and equipment products	723,535,115.00	352,636,503.06	51.26%	-0.06%	10.47%	Decreased by 4.65 percentage points
By region						
Domestic	10,958,604,069.12	3,514,733,729.94	67.93%	5.48%	10.53%	Decreased by 1.46 percentage points
Overseas	1,565,086,074.17	871,817,553.47	44.30%	1.72%	-10.67%	Increased by 7.73 percentage points
By sales model						
Distribution	8,794,348,064.75	2,176,510,688.51	75.25%	1.42%	9.21%	Decreased by 1.77 percentage points
Direct sales	3,729,342,078.54	2,210,040,594.90	40.74%	14.50%	2.17%	Increased by 7.15 percentage points

With the adjusted basis of data statistics of the principal businesses of the Company during the Year, data of the principal businesses of the Company in the latest year after adjustment as at the End of the Year

Applicable Not applicable

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

4. Income and costs *(continued)*

(3) Income from principal businesses by region

Unit: RMB

Regions	Amount for the Year		Amount for Previous Year	
	Income from principal businesses	Costs of principal businesses	Income from principal businesses	Costs of principal businesses
Domestic	10,958,604,069.12	3,514,733,729.94	10,389,430,628.94	3,179,959,095.23
Overseas	1,565,086,074.17	871,817,553.47	1,538,551,012.47	975,977,038.53
Total	12,523,690,143.29	4,386,551,283.41	11,927,981,641.41	4,155,936,133.76

(4) Whether income generated from physical sales is greater than the income generated by rendering services

Yes No

Since the product structure of the Company is complicated and the measurement unit of each product is different, it is not possible to convert its production and sales volume to a uniform quantity for comparison.

(5) Execution of major sales contracts and major purchase contracts entered into by the Company as at the End of the Year

Applicable Not applicable

(6) Composition of operating costs

Unit: RMB

By industry	Item	2022		2021		Year-on-year change
		Amount	As a percentage of operating costs	Amount	As a percentage of operating costs	
Pharmaceutical industry	Costs of materials	2,847,762,818.94	63.83%	2,625,844,218.91	61.74%	8.45%
	Labor costs	575,869,568.61	12.91%	444,280,185.76	10.45%	29.62%
	Depreciation	323,726,385.94	7.26%	241,309,017.51	5.67%	34.15%
	Energy and power	382,735,801.27	8.58%	295,022,991.08	6.94%	29.73%
	Others	795,152,414.73	17.82%	810,799,942.09	19.06%	-1.93%
	Movements in inventories from the Beginning of the Period to the End of the Period	-463,963,913.40	-10.40%	-164,168,870.90	-3.86%	182.61%
	Total operating costs	4,461,283,076.09	100.00%	4,253,087,484.45	100.00%	4.90%

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

4. Income and costs *(continued)*

(7) Changes in the consolidation scope during the Reporting Period

Yes No

For details, please refer to "VIII. EXPLANATION ON CHANGES IN THE SCOPE OF CONSOLIDATION IN COMPARISON WITH FINANCIAL REPORT FOR THE PREVIOUS YEAR" in Section VI of the Report.

(8) Material changes or adjustments in the business, products or services of the Company during the Year

Applicable Not applicable

(9) Major customers and major suppliers

During the Year, sales to the five largest customers accounted for 8.77% (2021: 8.78%) of the income generated from the principal businesses of the Group, while purchases from the five largest suppliers accounted for approximately 26.36% (2021: 29.10%) of the Group's total purchases of raw materials. The five largest customers have maintained relationship with the Group for 13.2 years on average, and the five largest suppliers have maintained relationship with the Group for 13 years on average.

Major customers of the Company for the Year

Total sales to the five largest customers (RMB)	1,098,760,436.80
Total sales to the five largest customers as a percentage of the total sales for the Year	8.77%
Sales to related parties in the sales to the five largest customers as a percentage of the total sales for the Year	—

Information on the five largest customers of the Company for the Year

Applicable Not applicable

No.	Name of customer	Amount of sales (RMB)	As a percentage of the total amount of sales for the Year
1	First	246,114,846.25	1.97%
2	Second	245,672,520.26	1.96%
3	Third	242,200,404.44	1.93%
4	Fourth	186,124,755.07	1.49%
5	Fifth	178,647,910.78	1.43%
Total		1,098,760,436.80	8.77%

Other information about major customers

Applicable Not applicable

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

4. Income and costs *(continued)*

Other information about major customers *(continued)*

The Company does not have related relationship with the five largest customers, and none of the Directors, Supervisors, senior management, core technicians, Shareholders with more than 5% of shares, de facto controllers of the Company or other related parties is interested in the major customers, directly or indirectly.

Major suppliers of the Company for the Year

Total purchases from the five largest suppliers (RMB)	750,628,658.61
Total purchases from the five largest suppliers as a percentage of the total purchases for the Year	26.36%
Purchases from related parties in the purchases from the five largest suppliers as a percentage of the total purchases for the Year	7.31%

Information on the five largest suppliers of the Company for the Year

Applicable Not applicable

No.	Name of supplier	Amount of purchases (RMB)	As a percentage of total purchases for the Year
1	First	208,268,900.11	7.31%
2	Second	176,596,921.69	6.20%
3	Third	167,163,879.64	5.87%
4	Fourth	100,523,859.87	3.53%
5	Fifth	98,075,097.30	3.44%
Total		750,628,658.61	26.36%

Note: This table is based on the purchases for the principal businesses of the Company.

Other information about major suppliers

Applicable Not applicable

Jiaozuo Joincare, the largest supplier of the Company, is a wholly-owned subsidiary of Joincare. Mr. Zhu Baoguo, the chairman of the Board of the Company, is indirectly interested in Jiaozuo Joincare by virtue of his shareholdings in Joincare. For details, please refer to "Changes in equity and shareholders" in Section VII of the Report.

To the best knowledge of the Directors, none of the Directors, Supervisors, senior management, core technicians or any Shareholders (who, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) and nor their respective close associates are interested in the aforesaid five largest suppliers (excluding Jiaozuo Joincare) and five largest customers of the Group.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

5. Expenses

During the Year, four types of expenses incurred by the Group, including selling expenses, administrative expenses, R&D expenses and finance expenses, amounted to RMB5,702.01 million in total, representing an increase of RMB78.29 million or 1.39% year-on-year. Details are as follows:

Unit: RMB

Item	2022	2021	Year-on-year change	Reasons for material changes
Selling expenses	3,887,392,091.49	3,883,874,503.06	0.09%	No material changes
Administrative expenses	656,857,474.21	664,181,161.91	-1.10%	No material changes
Finance expenses	-268,761,231.20	-70,040,758.57	-283.72%	Mainly due to the increase in interest income and the increase in exchange gains as a result of exchange rate changes
R&D expenses	1,426,522,674.07	1,145,702,329.81	24.51%	No material changes
Total	5,702,011,008.57	5,623,717,236.21	1.39%	—

During the Year, the total income tax expenses were RMB375.01 million, representing an increase of RMB81.42 million or 27.73% year-on-year, which was mainly due to an increase in the amount provided for income tax expenses based on the Company's operating results for the Period.

6. Investment in research and development

Applicable Not applicable

During the Year, the Group's total expenditure relating to R&D amounted to approximately RMB1,401.27 million (2021: RMB1,523.26 million), representing a year-on-year decrease of 8.01%. The amount accounted for approximately 10.10% of the net assets attributable to Shareholders of the Company and approximately 11.10% (2021: 12.63%) of the Group's total operating income for the Year.

During the Year, saved as described above, more details of the Group's R&D efforts in various business areas were as follows:

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

6. Investment in research and development *(continued)*

(1) Chemical drug preparations

High-barrier complex preparations including microspheres: there were a total of 7 projects under research, among which 1 project was under registration review for marketing authorization, 2 projects were under the phase I clinical trial and 2 projects were under the BE trial, 1 project was under preparation to commence the phase I clinical trial. The details were as follows: Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) (1-month sustained release) prostate cancer project had completed all registration verification and GMP compliance inspection, first registration inspection, the supplementary information study and submitted to the CDE; Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) (1-month sustained release) endometriosis project had completed enrollment and the follow-up was nearing completion; Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) (1-month sustained release) had completed the phase I multiple-dose clinical trial; Octreotide Acetate Microspheres for Injection (注射用醋酸奥曲肽微球) (1-month sustained release) and Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) (3-month sustained release) were undergoing BE trial; Alarelin Microspheres for Injection (注射用醋酸丙氨瑞林微球) (1-month sustained release) was in the phase I clinical trial; Triptorelin Pamoate Microspheres for Injection (注射用雙羧萘酸曲普瑞林微球) (3-month sustained release) was under preparation to commence the phase I clinical trial; and Goserelin Acetate Sustained-release Implant (醋酸戈舍瑞林緩釋植入劑) (1-month sustained release) had carried out the bridging test of pilot production.

Other key projects under research: As at 31 December 2022, there were a total of 26 projects, among which 5 projects were applied for production (of which Voriconazole for Injection (注射用伏立康唑) was approved in January 2023), 3 projects were approved for clinical trials and 5 projects were in the clinical trial/BE study stage. In 2022, Blonanserin Tablets (布南色林片), Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) for new indication and Lurasidone Hydrochloride Tablets (鹽酸魯拉西酮片) were applied for production; LZ001 and Ilaprazole Tablets of Enteric-Coated Pellets (艾普拉唑微丸腸溶片) have been approved for phase I clinical trials; and Progesterone Injection (黃體酮注射液) was undergoing BE trial.

Consistency evaluation: there were a total of 15 projects under research, of which 6 projects obtained approvals, 3 projects had made application and were under evaluation in 2022. Six products including Clarithromycin Tablets (克拉霉素片), Valsartan Capsules (巹沙坦膠囊), Cefodizime Sodium for Injection (注射用頭孢地嗪鈉) were approved; and supplemental information had been submitted for Cyclosporine Soft Capsules (50mg) (環孢素軟膠囊), Vancomycin Hydrochloride for Injection (注射用鹽酸萬古霉素) and Bismuth Potassium Citrate Capsules (枸橼酸鉍鉀膠囊).

(2) Biological products

As at 31 December 2022, there were a total of 8 projects under research, of which 1 project was approved for market launch, 1 project had applied for conditional market launch, 1 project had applied for BLA (approved for market launch in January 2023), 1 project was in the phase III clinical trials, 2 projects were in the phase Ib/II clinical trials and 2 projects were in the phase I clinical trial.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

6. Investment in research and development *(continued)*

(2) Biological products *(continued)*

Biological products for treatment: Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素) was approved for market launch in China in 2021, and was currently under overseas registration; the BLA application of Tocilizumab Injection (托珠單抗注射液) was accepted by CDE and was approved for market launch in China in January 2023; Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody Injection (重組抗人 IL-17A/F 人源化單克隆抗體注射液) had completed the phase II clinical trials; Recombinant Humanized Anti-PD-1 Monoclonal Antibody for Injection (注射用重組人源化抗 PD-1 單克隆抗體) was under the phase Ib/II clinical trials; Recombinant Human Follitropin Alfa Solution for Injection (重組人促卵泡激素注射液) had completed the phase I clinical trials; Recombinant Tumor Enzyme Specific Interferon α -2b Fc Fusion for Injection (注射用重組腫瘤酶特異性干擾素 α -2b Fc 融合蛋白) was under the phase I clinical trials. Semaglutide Injection (司美格魯肽注射液), a Diabetes drug, had obtained clinical trial approval, and the first phase III clinical center had been initiated in December 2022.

Preventive biological products: Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗) had been approved for emergency use in sequential booster immunization in China in June 2022 and was included in the national immunization program in September 2022, and a conditional market launch application had been submitted to the National Medical Products Administration and was under review.

(3) Diagnostic reagents and equipment

During the Reporting Period, Livzon Diagnostics continued to focus on the strategic disease areas and the layout of the departments to deepen its business and carried out parallel development of multi-disease detection reagents based on its mature product lines. As at the end of 2022, there were a total of 86 projects under research, of which 1 project (including the project under review) was in the stage of clinical trial; there were a total of 15 technological transformation projects, including 7 projects were filed for change of registration. In March 2022, Livzon Diagnostics actively responded to the national prevention and control policy and promptly initiated the registration of Rapid Test for 2019-nCoV Antigen (Lateral Flow) (新型冠狀病毒(2019-nCoV)抗原檢測試劑盒(乳膠法)), which was successfully approved for market launch in 9 April. Diagnostic Kit for Immunoglobulin G4 (Chemiluminescence Immunoassay) (免疫球蛋白 G4 測定試劑盒(化學發光法)) in luminescent platform and its supporting calibrators and quality control products obtained registration certificates in June. In November 2022, Diagnostic Kit for IgM Antibody to Mycoplasma Pneumonia (Chemiluminescence Immunoassay)(肺炎支原體 IgM 抗體檢測試劑盒(化學發光法)) and Four Tests for Diabetes (糖尿病四項) were registered successively; Three Tests for Blood Types of Chromatographic Platform (層析平台血型卡三項) was registered in August 2022. In addition, 6 projects, including Rapid Test for 2019-nCoV Antigen (Lateral Flow) (新型冠狀病毒(2019-nCoV)抗原檢測試劑盒(乳膠法)), Nucleic Acid Test Kit for Monkeypox Virus (Real-time PCR) (猴痘病毒核酸檢測試劑盒(PCR—熒光探針法)) and Fully-Automatic Multiple Immune Analyzer (全自動多重免疫分析儀), successively obtained overseas CE certificates.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

6. Investment in research and development *(continued)*

R&D staff

	2022	2021	Change
Number of R&D staff (persons)	973	936	3.95%
Proportion of R&D staff to total number of employees	10.81%	10.91%	-0.10%
Education composition of R&D staff			
Undergraduate and below	624	609	2.46%
Postgraduate	297	287	3.48%
Doctor	52	40	30.00%
Age composition of R&D staff			
Below 30 years old	513	509	0.79%
30~40 years old	358	334	7.19%
40~50 years old	86	73	17.81%
Over 50 years old	16	20	-20%

Investment in R&D

	2022	2021	Change
Amount of investment in R&D (RMB)	1,401,271,796.95	1,523,255,721.85	-8.01%
Proportion of R&D investment to operating income	11.10%	12.63%	Decreased by 1.53 percentage points
Amount of capitalized R&D investment (RMB)	102,026,703.35	377,553,392.04	-72.98%
Proportion of capitalized R&D investment to total investment in R&D	7.28%	24.79%	Decreased by 17.51 percentage points

Reasons for and impact of the material change in the composition of R&D staff

Applicable Not applicable

Reasons for significant changes in the proportion of total investment in R&D to operating income as compared with the Previous Year

Applicable Not applicable

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

Applicable Not applicable

Mainly due to the fact that the "Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗)" of Livzon MAB was included in the emergency use in sequential booster immunization against a novel coronavirus SARS-CoV-2 in September 2022, and the accumulated development expenditure of this project was transferred to intangible assets.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

7. Cash flow

Item	2022	Unit: RMB	
		2021	Year-on-year change
Subtotal of cash inflow from operating activities	13,621,172,634.83	13,089,660,316.39	4.06%
Subtotal of cash outflow from operating activities	10,848,501,339.80	11,187,332,177.36	-3.03%
Net cash flow from operating activities	2,772,671,295.03	1,902,328,139.03	45.75%
Subtotal of cash inflow from investing activities	139,846,362.88	221,271,360.00	-36.80%
Subtotal of cash outflow from investing activities	1,369,716,149.11	2,098,171,682.50	-34.72%
Net cash flow from investing activities	-1,229,869,786.23	-1,876,900,322.50	34.47%
Subtotal of cash inflow from financing activities	3,756,110,193.50	3,599,417,401.77	4.35%
Subtotal of cash outflow from financing activities	4,476,466,156.88	4,414,434,906.93	1.41%
Net cash flow from financing activities	-720,355,963.38	-815,017,505.16	11.61%
Net increase in cash and cash equivalents	947,332,713.60	-826,740,021.96	214.59%

Main reasons for a significant year-on-year change in the relevant data

Applicable Not applicable

Please refer to "VI. ANALYSIS OF FINANCIAL CONDITIONS 6. Material changes in consolidated cash flow items" for the details of the main factors for the significant year-on-year change in the relevant data.

Reasons for material differences between the net cash flow from operating activities of the Company during the Reporting Period and the net profit for the Year

Applicable Not applicable

During the Reporting Period, the net cash flow from operating activities of the Company was RMB2,772,671,295.03, while the net profit for the Year was RMB1,955,540,213.06. The difference of RMB817,131,081.97 between two was mainly due to the effects of non-cash costs such as depreciation, amortization, and operating receivable and payable items.

V. ANALYSIS OF NON-PRINCIPAL BUSINESSES

Applicable Not applicable

Unit: RMB

Item	Amount	As a percentage of total profit	Reasons for occurrence	Sustainability
Investment income	44,111,595.36	1.89%	Mainly due to changes in profit and loss from investments in associates.	No
Gains or losses arising from changes in fair value	-75,274,031.55	-3.23%	Mainly due to fluctuations in the market value of subject securities investment held.	No
Asset impairment	-116,620,058.62	-5.00%	Mainly due to impairment provisions for inventories.	No
Non-operating income	7,015,188.44	0.30%	Mainly due to income on disposal of wastes and compensation.	No
Non-operating expenditure	27,020,195.92	-1.16%	Mainly due to donation expenses and loss on retirement of fixed assets.	No
Other income	183,348,565.80	7.87%	Mainly due to the government subsidies received.	Yes

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS

1. Material changes in asset composition

Unit: RMB

Item	At the end of 2022		At the end of 2021		Increase/ decrease in proportion	Reason for material changes
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Cash at bank and on hand	10,411,348,410.09	41.87%	9,146,373,455.01	40.88%	0.99%	No material changes
Accounts receivable	2,415,256,725.64	9.71%	1,951,898,111.20	8.72%	0.99%	No material changes
Contract assets	–	–	–	–	–	–
Inventories	2,045,341,552.12	8.23%	1,663,227,968.17	7.43%	0.80%	No material changes
Investment properties	–	–	–	–	–	–
Long-term equity investments	1,055,939,326.49	4.25%	1,064,968,250.00	4.76%	-0.51%	No material changes
Fixed assets	3,967,614,462.32	15.96%	3,669,728,093.97	16.40%	-0.44%	No material changes
Construction in progress	602,442,281.75	2.42%	554,575,587.48	2.48%	-0.06%	No material changes
Right-of-use assets	21,828,952.90	0.09%	14,588,322.60	0.07%	0.02%	No material changes
Short-term loans	1,622,239,859.89	6.52%	2,043,048,023.71	9.13%	-2.61%	No material changes
Contract liabilities	226,185,055.51	0.91%	167,796,768.82	0.75%	0.16%	No material changes
Long-term loans	1,974,444,042.88	7.94%	636,780,252.78	2.85%	5.09%	No material changes
Lease liabilities	11,607,998.43	0.05%	5,274,240.80	0.02%	0.03%	No material changes

High proportion of overseas assets

Applicable Not applicable

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

2. Assets and liabilities measured at fair value

Applicable Not applicable

Unit: RMB

Item	At the Beginning of the Year	Gain or loss on change in fair value for the Year	Accumulated changes in fair value in equity	Impairment provision for the Year	Amount of purchase during the Year	Amount of disposal during the Year	At the End of the Year
Financial assets							
1. Financial assets held for trading (excluding derivative financial assets)	177,262,015.99	-73,706,840.89	-	-	27,978.31	-	103,583,153.41
2. Derivative financial assets	5,511,338.57	-1,000,458.47	-	-	-	-	4,510,880.10
3. Other debt investments	-	-	-	-	-	-	-
4. Other equity instrument investments	629,914,544.37	-	51,475,962.07	-	884,764.97	-	682,275,271.41
Subtotal of financial assets	812,687,898.93	-74,707,299.36	51,475,962.07	-	912,743.28	-	790,369,304.92
Investment properties	-	-	-	-	-	-	-
Productive biological assets	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Total	812,687,898.93	-74,707,299.36	51,475,962.07	-	912,743.28	-	790,369,304.92
Financial liabilities							
	143,302.24	-566,732.19	-	-	-	-	710,034.43

Whether there were material changes in the measurement of major assets of the Company during the Year

Yes No

3. Restrictions on asset entitlements as at the End of the Reporting Period

Applicable Not applicable

The thirteenth meeting of the ninth session of the Board of the Company considered and approved the "Resolution on Launching the Bills Pooling Business", pursuant to which it was agreed that the Company and its subsidiaries should collectively share the cap for the bills pooling business of no more than RMB1.4 billion. The cap may be used on revolving basis. As at the End of the Reporting Period, the balance of bills receivables pledged to the banks applied by the Group was RMB199.4236 million. The balance of the actual deposits paid by the Company and its subsidiaries for the businesses such as issuing letters of guarantee was RMB0.9469 million.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

4. Material changes in consolidated balance sheet items

Item	<i>Unit: RMB</i>		
	31 December 2022	31 December 2021	Year-on-year change
Financial assets held for trading	108,094,033.51	182,773,354.56	-40.86% ⁽¹⁾
Non-current assets due within one year	–	317,381.23	-100.00% ⁽²⁾
Other current assets	136,903,280.08	57,624,626.16	137.58% ⁽³⁾
Long-term receivables	–	266,904.13	-100.00% ⁽⁴⁾
Right-of-use assets	21,828,952.90	14,588,322.60	49.63% ⁽⁵⁾
Intangible assets	557,437,332.79	260,279,167.34	114.17% ⁽⁶⁾
Development expenditure	268,954,952.69	574,499,574.42	-53.18% ⁽⁷⁾
Other non-current assets	189,664,705.94	444,352,845.12	-57.32% ⁽⁸⁾
Financial liabilities held for trading	710,034.43	143,302.24	395.48% ⁽⁹⁾
Contract liabilities	226,185,055.51	167,796,768.82	34.80% ⁽¹⁰⁾
Taxes payables	255,516,487.73	160,385,251.99	59.31% ⁽¹¹⁾
Other current liabilities	98,268,918.44	13,485,363.41	628.71% ⁽¹²⁾
Long-term loans	1,974,444,042.88	636,780,252.78	210.07% ⁽¹³⁾
Lease liabilities	11,607,998.43	5,274,240.80	120.09% ⁽¹⁴⁾
Other comprehensive income	186,488,658.73	46,548,997.70	300.63% ⁽¹⁵⁾

Reasons for the year-on-year changes of over 30% in the relevant data:

1. Financial assets held for trading recorded a year-on-year decrease of 40.68%, which was mainly due to fluctuations in the market value of securities investment held.
2. Non-current assets due within one year recorded a year-on-year decrease of 100.00%, which was mainly due to recovery of financial leasing amount.
3. Other current assets recorded a year-on-year increase of 137.58%, which was mainly due to the increase in cash management business.
4. Long-term receivables recorded a year-on-year decrease of 100.00%, which was mainly due to recovery of financial leasing amount.
5. Right-of-use assets recorded a year-on-year increase of 49.63%, which was mainly due to the increase in lease contracts signed during the Period.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

4. Material changes in consolidated balance sheet items *(continued)*

6. Intangible assets recorded a year-on-year increase of 114.17%, which was mainly due to the fact that the “Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗)” of Livzon MAB was included in the emergency use in sequential booster immunization against a novel coronavirus SARS-CoV-2 in September 2022, and the accumulated development expenditure of this project was transferred to intangible assets.
7. Development expenditure recorded a year-on-year decrease of 53.18%, which was mainly due to the fact that the “Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗)” of Livzon MAB was included in the emergency use in sequential booster immunization against a novel coronavirus SARS-CoV-2 in September 2022, and the accumulated development expenditure of this project was transferred to intangible assets.
8. Other non-current assets recorded a year-on-year decrease of 57.32%, which was mainly due to the prepayment amount of project and equipment met the conditions and was carried forward to fixed assets and rebate of remaining VAT credit resulting in a reduction in remaining VAT credit.
9. Financial liabilities held for trading recorded a year-on-year increase of 395.48%, which was mainly due to changes in forward foreign exchange contracts.
10. Contract liabilities recorded a year-on-year increase of 34.80%, which was mainly due to the increase in contract prepayment amount.
11. Taxes payables recorded a year-on-year increase of 59.31%, which was mainly due to the increase in VAT and tax at the end of the Reporting Period.
12. Other current liabilities recorded a year-on-year increase of 628.71%, which was mainly due to the increase in expected refunds payable.
13. Long-term loans recorded a year-on-year increase of 210.07%, which was mainly due to the optimization of the debt structure of subsidiaries and the replacement of short-term borrowings with long-term borrowings, resulting in an increase in long-term borrowings.
14. Lease liabilities recorded a year-on-year increase of 120.09%, which was mainly due to the increase in lease contracts signed during the Period and the increase in amount payable under lease.
15. Other comprehensive income recorded a year-on-year increase of 300.63%, which was mainly due to the changes in fair value of investments in other equity instruments and the changes in the differences arising from the translation of the financial statements in foreign currency due to fluctuations of exchange rates.

Asset-liability ratio

The asset-liability ratio of the Group as at 31 December 2022 and 31 December 2021 was calculated by dividing total liabilities by total assets of the Group as at the respective dates. The asset-liability ratio of the Group increased from 36.03% as at 31 December 2021 to 39.93% as at 31 December 2022.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

5. Material changes in consolidated income statement items

Item	The Year	Unit: RMB	
		The Previous Year	Year-on-year change
Finance expenses	-268,761,231.20	-70,040,758.57	-283.72% ⁽¹⁾
Investment income	44,111,595.36	89,624,998.41	-50.78% ⁽²⁾
Gains from changes in fair value	-75,274,031.55	-23,027,244.25	-226.89% ⁽³⁾
Asset impairment loss	-116,620,058.62	-56,777,500.66	-105.40% ⁽⁴⁾
Gains from disposal of assets	860,661.89	7,034,712.12	-87.77% ⁽⁵⁾
Profit and loss attributable to minority interests	46,148,548.43	176,417,917.92	-73.84% ⁽⁶⁾
Other comprehensive net income after taxation	129,307,507.59	-117,203,117.54	210.33% ⁽⁷⁾

Reasons for year-on-year change of over 30% in the relevant data:

1. Finance expenses declined 283.72% year-on-year, which was mainly due to the increase in interest income and the increase in foreign exchange gains as a result of exchange rate changes during the Period.
2. Investment income declined 50.78% year-on-year, which was mainly due to the settlement of forward foreign exchange contracts due to the fluctuations in exchange rates.
3. Gains from changes in fair value declined 226.89% year-on-year, which was mainly due to the fluctuations in the market value of securities investment held.
4. Asset impairment loss declined 105.40% year-on-year, which was mainly due to the increase in provision for price decline of inventories.
5. Gains from disposal of assets declined 87.77% year-on-year, which was mainly due to the decrease in gains from external disposal of fixed assets during the Period as compared to the Previous Period.
6. Profit and loss attributable to minority interests declined 73.84% year-on-year, which was mainly due to the decrease in the operating results of the non-wholly-owned subsidiaries for the period as compared to the Previous Period.
7. Other comprehensive net income after taxation increased 210.33% year-on-year, which was mainly due to the changes in fair value of investments in other equity instruments and the changes in the differences arising from the translation of the financial statements in foreign currency due to fluctuations of exchange rates.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

6. Material changes in consolidated cash flow statement items

Item	<i>Unit: RMB</i>		
	The Year	The Previous Year	Year-on-year change
Net cash flow from operating activities	2,772,671,295.03	1,902,328,139.03	45.75% ⁽¹⁾
Subtotal of cash inflow from investing activities	139,846,362.88	221,271,360.00	-36.80% ⁽²⁾
Subtotal of cash outflow from investing activities	1,369,716,149.11	2,098,171,682.50	-34.72% ⁽³⁾
Net cash flow from investing activities	-1,229,869,786.23	-1,876,900,322.50	34.47% ⁽⁴⁾
Effect of changes in foreign exchange rates on cash and cash equivalents	124,887,168.18	-37,150,333.33	436.17% ⁽⁵⁾
Net increase in cash and cash equivalents	947,332,713.60	-826,740,021.96	214.59% ⁽⁶⁾

Reasons for year-on-year change of over 30% in the relevant data:

- Net cash flow from operating activities increased 45.75% year-on-year, which was mainly due to the combined effect of an increase in sales receipts and a decrease in payment of marketing expenses during the Period.
- Subtotal of cash inflow from investing activities declined 36.80% year-on-year, which was mainly due to the recovery of investment amount in the Previous Period.
- Subtotal of cash outflow from investing activities declined 34.72% year-on-year, which was mainly due to the payment of consideration for acquisition of equity interest in Tianjin Tongrentang Co., Ltd. (天津同仁堂股份有限公司) in the Previous Period.
- Net cash flow from investing activities increased 34.47% year-on-year, which was mainly due to the payment of consideration for acquisition of equity interest in Tianjin Tongrentang Co., Ltd. (天津同仁堂股份有限公司) in the Previous Period.
- Effect of changes in foreign exchange rates on cash and cash equivalents increased 436.17% year-on-year, which was mainly due to the changes in foreign exchange rates resulting in an increase in exchange gains from foreign currency funds held.
- Net increase in cash and cash equivalents increased 214.59% year-on-year, which was mainly due to the increase in cash generated from the Company's ordinary operating activities, and the decrease in external investments during the Period as compared with the Previous Period.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

7. Material changes in the composition or source of profit of the Company for the Reporting Period

Applicable Not applicable

There were no material changes in the composition or source of profit of the Company for the Reporting Period.

8. Liquidity and financial resources

As at 31 December 2022, the Group's cash at bank and on hand amounted to RMB10,411.35 million (31 December 2021: RMB9,146.37 million), which arose primarily from operating income of the Company. The amount was used primarily for daily operation and investment activities of the Company as well as distribution of dividends.

Fiscal policy and objectives: The Group has a comprehensive and prudent financial management system in place in order to guarantee the fund safety of the Company, provide support for production operation and business development and reasonably improve the utilization efficiency of funds to realize value conservation and appreciation.

During the Year, the credit facilities that may be applied for as approved by the Board and the general meeting of the Company amounted to RMB25,525.00 million and the actual amount of credit facilities applied to banks for use amounted to RMB4,406.42 million.

Unit: RMB

Item	End of the Year (31 December 2022)			End of the Previous Year (31 December 2021)		
	Amount in foreign currency	Conversion rate	Amount in RMB	Amount in foreign currency	Conversion rate	Amount in RMB
Cash on hand:	-	-	198,834.79	-	-	194,319.63
- RMB	-	-	182,232.35	-	-	178,450.45
- USD	700.00	6.9646	4,875.22	700.00	6.3757	4,462.99
- Euro	1,579.87	7.4229	11,727.22	1,579.87	7.2197	11,406.19
Bank deposits:	-	-	10,396,217,240.84	-	-	9,002,550,448.00
- RMB	-	-	9,462,488,273.78	-	-	8,049,009,679.75
- HKD	6,182,716.76	0.89327	5,522,835.40	3,689,174.59	0.8176	3,016,269.14
- USD	129,970,513.20	6.9646	905,192,636.21	148,446,729.16	6.3757	946,451,811.10
- JPY	344,798,878.00	0.052358	18,052,979.65	43,429,022.00	0.055415	2,406,619.26
- Euro	92,651.09	7.4229	687,739.78	75,451.09	7.2197	544,734.23
- MOP	4,921,985.97	0.8681	4,272,776.02	1,412,971.92	0.7936	1,121,334.52
Bank deposits:						
Interest receivable	-	-	67,758,851.73	-	-	19,969,652.77
Other monetary fund:						
RMB	-	-	7,938,294.88	-	-	2,134,278.90
HKD	4,665,094.02	0.89327	4,167,188.53	67,295,920.52	0.8176	55,021,144.62
USD	405,888.50	6.9646	2,826,851.05	13,562,944.28	6.3757	86,473,263.86
Total	-	-	10,411,348,410.09	-	-	9,146,373,455.01

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

8. Liquidity and financial resources *(continued)*

As at 31 December 2022, the balance of the Group's borrowings amounted to RMB3,596.68 million (31 December 2021: RMB2,679.83 million), accounting for 14.46% of total assets (31 December 2021: 11.98%), of which the balance of short-term borrowings due within one year amounted to RMB1,622.24 million (31 December 2021: RMB2,043.05 million), accounting for 6.52% of total assets (31 December 2021: 9.13%) and the balance of long-term borrowings due after one year amounted to RMB1,974.44 million (31 December 2021: RMB636.78 million), accounting for 7.94% of total assets (31 December 2021: 2.85%). During the Year, the Group's repayment of bank borrowings amounted to RMB2,804.80 million. There was no distinct seasonal demand for each of the above borrowings.

9. Capital structure

The Group's capital structure comprises Shareholders' equity and liabilities. As at 31 December 2022, Shareholders' equity amounted to RMB14,936.25 million, total liabilities amounted to RMB9,928.57 million and total assets amounted to RMB24,864.83 million. In particular, the Group's current liabilities amounted to RMB7,396.66 million (31 December 2021: RMB6,925.07 million), representing an increase of 6.81% from the End of the Previous Year; total non-current liabilities amounted to RMB2,531.91 million (31 December 2021: RMB1,135.82 million), representing an increase of 122.91% from the End of the Previous Year. During the Year, the Group's repayment of debt amounted to RMB2,804.80 million (the repayment of debt in the Previous Year amounted to RMB2,033.58 million).

As at the End of the Year, equity attributable to Shareholders of the Company amounted to RMB13,876.02 million (31 December 2021: RMB13,003.76 million), representing an increase of 6.71% from the End of the Previous Year. Minority interests amounted to RMB1,060.23 million (31 December 2021: RMB1,307.26 million), representing a decrease of 18.90% from the End of the Previous Year.

10. Capital commitments

	Balance at the End of the Year	<i>Unit: RMB</i> Balance at the Beginning of the Year
Capital commitments contracted but not recognized in the financial statements		
Commitments for purchase and construction of long-term assets	394,785,767.27	569,039,017.10
Commitments for external investment	12,000,000.00	8,000,000.00
Commitments for R&D expenditure	–	309,313,880.64
Total	406,785,767.27	886,352,897.74

11. Interest rate

As at 31 December 2022, the aggregate interest-bearing bank borrowings and other borrowings amounted to RMB3,585.75 million (31 December 2021: RMB2,677.08 million). The interest rate structure was: RMB1,679.80 million bore interest at a floating interest rate and RMB1,905.95 million bore interest at a fixed interest rate of 2.57% per annum.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

12. Maturity analysis of outstanding liabilities

	31 December 2022	<i>Unit: RMB million</i> 31 December 2021
Within one year	2,629.99 ^{Note}	3,069.67
1-2 years	—	—
2-5 years	1,974.44	636.78
Over 5 years	—	—
Total	4,604.43^{Note}	3,706.45

Note: In this amount, except for RMB1,007.75 million which are bills payable, the rest are bank loans.

13. Capital commitments

As at 31 December 2022, the Group's capital commitments contracted in relation to the purchase and construction of long-term assets, external investment and R&D expenditure amounted to RMB406.79 million (31 December 2021: RMB886.35 million).

14. Bank borrowings and other borrowings

Details of the bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2022 are set out in "Note V. 20. Short-term Loans; 30. Long-term Loans" to the financial statements in the Report as prepared in accordance with the China Accounting Standards for Business Enterprises.

15. Gearing ratio

The gearing ratio as at 31 December 2022 and 31 December 2021 was calculated by dividing total debt by Shareholders' equity of the Group as at the respective dates. The gearing ratio of the Group increased from 25.90% as at 31 December 2021 to 30.83% as at 31 December 2022.

16. Interest expenses and capitalization

	2022	<i>Unit: RMB</i> 2021
Interest expenses ^(Note)	97,545,933.93	83,997,234.61
Capitalized interest	—	—
Total interest expenses	97,545,933.93	83,997,234.61

Note: Interest expenses are mainly due to bank borrowings.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

17. Foreign exchange risks

Details of foreign exchange risks of the Group are set out in “Note VIII. Risk management of financial instruments” to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises in the Report. As RMB is the major denominated currency of the Company, in case of sales, purchases and investment/financing businesses which are not settled in RMB, corresponding foreign exchange risk exposure is incurred. With “prevention and control of risk and locking in profit” as its management goal, the Company has established the “Management System for Foreign Exchange Risk” that requires a certain hedging ratio, and uses foreign exchange financial derivatives to monitor and control the foreign exchange risk, so as to minimize the impact arising from fluctuations of exchange rates on the business of the Company.

18. Contingent liabilities

As at 31 December 2022, the Group had no significant contingent liabilities.

19. Pledge of assets

As at 31 December 2022, the assets of the Company subject to pledge were as follows:

	31 December 2022 (RMB)	Reasons for being subject to restriction
Assets pledged:		
Bills receivable	199,423,555.72	Pledged bills receivable for the bills pooling business
Other monetary funds	946,876.64	Deposits for letters of guarantee and other businesses
Total	200,370,432.36	

Note: On 23 April 2018, the thirteenth meeting of the ninth session of the Board of the Company reviewed and passed the “Resolution on Launching the Bills Pooling Business”, agreeing that the Company and its subsidiaries should collectively share the cap for the bills pooling business amount of no more than RMB1.4 billion, which can be used on a rolling basis. As at 31 December 2022, the amount of bills receivable pledged by the Group to the banks amounted to RMB199.4236 million.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

20. Investments

Overall relocation and expansion project of Sichuan Guangda

On 6 March 2019, after review and approval by the Board of the Company, the Company entered into the “Investment Agreement for the Overall Relocation and Expansion Project of Sichuan Guangda Pharmaceutical Manufacturing” (《四川光大製藥整體搬遷調遷擴建項目投資協議書》) (the “Investment Agreement”) and the Supplemental Agreement I with the People’s Government of Pengzhou, Chengdu, Sichuan Province (四川省成都市彭州市人民政府). Pursuant to the Investment Agreement, the Company will inject capital of RMB646 million for investment in construction of the overall relocation and expansion project of Sichuan Guangda, a wholly-owned subsidiary of the Company (the “Project”). Pursuant to the Supplemental Agreement I, the People’s Government of Pengzhou has agreed to pay a compensation for demolition and relocation of RMB90 million and grant total incentive of not more than RMB125.8 million for the new plant construction project to the Company.

As at 31 December 2022, the total investment of the specific contracts entered into for the Project amounted to RMB542.2556 million, and the sum of subsidies received from government authorities at various levels amounted to RMB138.4317 million. The Project has completed the storage system, QC decoration and equipment installation, conducted equipment commissioning, and carried out the inspection and acceptance of the storage system; the Project has completed the decoration and equipment installation of the extraction workshop and the pre-processing workshop, conducted the equipment commissioning and partial decoration and finishing, constructed the granulation workshop, the comprehensive preparation workshop and the packaging workshop, carried out decoration and finishing for the alcohol extraction workshop, and completed the construction and commissioning for the remaining pipeline equipment. The overall progress of the Project was smooth.

Save as disclosed above, during the Year, the Group did not make any equity acquisition and/or other significant investments, nor was there any significant change in the investments held by the Group as compared to the relevant information disclosed in the 2021 annual report of the Company.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT

1. Overall particulars

Applicable Not applicable

Amount of investment during the Year (RMB)	Amount of investment during the Same Period Last Year (RMB)	Change
40,000,152.05	886,650,000.00	-95.49%

2. Material equity investment acquired during the Year

Applicable Not applicable

Unit: RMB

Name of investee	Principal business	Investment method	Investment amount	Percentage of shareholding	Source of funds	Partner(s)	Investment period	Type of products	Status as at balance sheet date	Expected return	Investment profit or loss for the Year	Litigation involved	Disclosure date (if any)	Disclosure index (if any)
Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd. (江蘇新元素醫藥科技有限公司)	Primarily engaged in R&D of human medicine, veterinary medicine, pesticide, healthcare products and chemical products, and product technology transfer, technical consulting and project cooperation.	Capital injection	30,000,000.00	7.4850%	Self-owned funds	N/A	Long term	-	Capital contribution was completed.	-	-5,105,198.56	No	N/A	N/A
LIVZON BIOLOGICS (MALAYSIA) SDN. BHD.	All businesses of manufacturers, producers, importers, exporters, buyers, sellers, distribution agents and distributors of patents, drug products, medicines, nutraceuticals, healthcare products, drugs and vaccine products, as well as general operations of all articles, compounds and substances commonly used in connection therewith.	New establishment	152.05	55.13%	Self-owned funds	N/A	Long term	-	Capital contribution was not completed yet.	-	-	No	N/A	N/A
Shenzhen KangTi Biopharma Technology Co., Ltd (深圳康體生物醫藥科技有限公司)	Technology R&D of biochemical products; technology services, technology development, technology consultation, technology exchange, technology transfer, technology promotion	Capital injection	10,000,000.00	3.1746%	Self-owned funds	N/A	Long term	-	Contribution of RMB6 million was completed.	-	-	No	N/A	N/A
Total	-	-	40,000,152.05	-	-	-	-	-	-	-	-5,105,198.56	-	-	-

Note: Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd. (江蘇新元素醫藥科技有限公司) has completed its series C financing on 18 March 2022.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT *(continued)*

3. Ongoing material non-equity investments during the Year

Applicable Not applicable

4. Investment in Financial Assets

(1) Investment in securities

Applicable Not applicable

Unit: RMB

Type of securities	Securities code	Securities abbreviation	Initial investment cost	Accounting measurement	Carrying amount at the Beginning of the Year	Gain or loss on change in fair value for the Year	Accumulated change in fair value included in equity	Amount of purchase during the Year	Amount of disposal during the Year	Profit or loss for the Year	Carrying amount at the End of the Year	Accounting item	Source of funds
Share	00135	Kunlun Energy	4,243,647.64	Measured at fair value	5,976,656.00	-1,001,142.10	-	-	-	-	4,975,513.90	Financial assets held for trading	Self-owned funds
Fund	206001	Penghua Fund	150,000.00	Measured at fair value	940,162.94	-5,873.00	-	-	-	-	934,289.94		
Share	000963	Huadong Medicine	39,851.86	Measured at fair value	13,250,402.40	2,175,439.20	-	-	-	-	15,425,841.60		
Share	BEAM(US)	Beam Therapeutics, Inc.	-	Measured at fair value	157,094,794.65	-74,876,557.68	-	-	-	-	82,218,236.97		
Other securities investment held at the End of the Year			27,978.31	-	-	1,292.69	-	27,978.31	-	-	29,271.00	-	-
Total			4,461,477.81	-	177,262,015.99	-73,706,840.89	-	27,978.31	-	-	103,583,153.41	-	-

Disclosure date of the announcement in relation to the approval of securities investment by the Board

Not applicable

Disclosure date of the announcement in relation to the approval of securities investment by the shareholders' general meeting (if any)

Not applicable

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

4. Investment in Financial Assets (continued)

(2) Information on investment in derivatives

✓ Applicable Not applicable

(i) Derivative investment for hedging purposes during the Reporting Period

✓ Applicable Not applicable

Unit: RMB'000

Name of the operator of derivatives investment	Related relationship	Related transaction	Type of derivatives investment	Initial investment amount of derivatives investment	Commencement date	Maturity date	Investment amount at the Beginning of the Period	Amount of purchase during the Period	Amount of disposal during the Period	Impairment provision (if any)	Investment amount at the End of the Period	Percentage of investment amount at the End of the Period to	Actual gains or losses during the Period
												the net assets of the Company at the End of the Period	
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	6,068.44	2021-9-2	2022-3-31	6,067.71	-	5,963.92	-	-	-	351.37
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	9,087.28	2021-10-11	2022-3-31	9,166.57	-	9,015.13	-	-	-	153.57
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	12,831.39	2021-11-1	2022-5-9	12,954.71	-	12,962.90	-	-	-	-16.83
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	13,098.01	2021-12-2	2022-6-30	13,281.71	-	4,941.96	-	-	-	-15.08
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	15,918.32	2022-1-5	2022-7-26	-	15,918.32	16,312.26	-	-	-	-303.63
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	5,532.48	2022-2-10	2022-7-29	-	5,532.48	5,762.93	-	-	-	-205.53
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	16,218.48	2022-3-1	2022-9-30	-	16,218.48	17,206.09	-	-	-	-911.17
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	10,745.22	2022-4-6	2022-11-18	-	10,745.22	10,967.54	-	-	-	-544.97
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	5,596.00	2022-5-6	2022-11-30	-	5,596.00	5,821.89	-	-	-	-210.50
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	7,696.36	2022-6-6	2022-12-23	-	7,696.36	8,055.69	-	-	-	-374.05
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	6,945.02	2022-7-5	2023-1-30	-	6,945.02	6,852.52	-	409.52	0.03%	-317.15
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	8,878.43	2022-8-2	2023-1-31	-	8,878.43	7,687.38	-	1,470.88	0.11%	-278.00
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	9,541.86	2022-9-5	2023-2-24	-	9,541.86	5,240.03	-	4,364.87	0.31%	-70.28

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

4. Investment in Financial Assets (continued)

(2) Information on investment in derivatives (continued)

(i) Derivative investment for hedging purposes during the Reporting Period (continued)

Unit: RMB0'000

Name of the operator of derivatives investment	Related relationship	Related transaction	Type of derivatives investment	Initial investment amount of derivatives investment	Commencement date	Maturity date	Investment amount at the Beginning of the Period	Amount of purchase during the Period	Amount of disposal during the Period	Impairment provision (if any)	Investment amount at the End of the Period	Percentage of investment amount at the End of the Period to the net assets of the Company at the End of the Period	Actual gains or losses during the Period
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	15,771.86	2022-10-8	2023-4-4	-	15,771.86	6,464.34	-	8,910.16	0.64%	194.61
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	9,069.65	2022-11-1	2023-4-20	-	9,069.65	634.35	-	8,217.43	0.59%	5.20
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	7,873.13	2022-12-2	2023-6-26	-	7,873.13	80.36	-	7,778.22	0.56%	0.80
Financial institution	Non-related party	No	Forward foreign exchange contract (buy)	14,528.73	2022-4-21	2022-8-4	-	14,528.73	14,986.04	-	-	-	333.01
Financial institution	Non-related party	No	Forward foreign exchange contract (buy)	925.07	2022-5-10	2022-12-15	-	925.07	893.48	-	-	-	-38.11
Financial institution	Non-related party	No	Forward foreign exchange contract (buy)	1,358.88	2022-9-22	2023-3-21	-	1,358.88	-	-	1,355.92	0.10%	0.00
Financial institution	Non-related party	No	Forward foreign exchange contract (buy)	831.80	2022-11-14	2023-2-15	-	831.80	386.81	-	461.69	0.03%	1.12
Financial institution	Non-related party	No	Forward foreign exchange contract (buy)	2,402.70	2022-12-2	2023-6-26	-	2,402.70	1,174.90	-	1,257.76	0.09%	1.89
Total				180,919.11	-	-	41,470.70	139,834.00	141,410.52	-	34,226.47	2.47%	-2,243.73

Source of funds for investment in derivative	Self-financing
Litigation involved (if applicable)	Not applicable
Disclosure date of the announcement in relation to the approval of investment in derivatives by the Board (if any)	29 March 2022
Disclosure date of the announcement in relation to the approval of investment in derivatives by the shareholders' meeting (if any)	Not applicable

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT *(continued)*

4. Investment in Financial Assets *(continued)*

(2) Information on investment in derivatives *(continued)*

(i) Derivative investment for hedging purposes during the Reporting Period *(continued)*

Unit: RMB0'000

Name of the operator of derivatives investment	Related relationship	Related transaction	Type of derivatives investment	Initial investment amount of derivatives investment	Commencement date	Maturity date	Investment amount				Investment amount at the End of the Period	Percentage of investment amount at the End of the Period to the net assets of the Company	Actual gains or losses during
							at the Beginning of the Period	Amount of purchase during the Period	Amount of disposal during the Period	Impairment provision (if any)			

Risk analysis of derivatives position held during the Reporting Period and explanation of control measures (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)

To effectively manage the uncertainty risk brought by exchange rate fluctuations to assets denominated in foreign currency of the Company, foreign exchange forward contracts and other financial derivatives are employed to lock relevant exchange rates for the purpose of hedging. The Company has formulated the "Foreign Exchange Risk Management Measures" in relation to the operation and control of foreign exchange derivatives: 1. Market risk: the uncertainty of exchange rate fluctuations in the foreign exchange market has led to higher market risk in foreign exchange forward business. Control measures: the Company's foreign exchange forward business is entered into for hedging exchange rate risk associated with assets denominated in U.S. dollar and locking the future exchange settlement price of such assets. It is designed to be used as a hedging instrument. Such foreign exchange derivatives shall not be used for speculative trading. The principle of prudence and conservation shall be observed so as to effectively prevent market risk. 2. Operational risk: operational risk is arising from imperfect internal process, employees' improper operations, system failure and other factors. Control measures: the Company has formulated the corresponding management measures to clearly define the responsibilities of all parties, improve the review and approval process and establish supervisory mechanism, so as to effectively reduce operational risk. 3. Legal risk: the Company's foreign exchange forward business is subject to applicable laws and regulations, and shall clearly stipulate the relationship of rights and obligations with financial institutions. Control measures: in addition to strengthening the knowledge of laws and regulations and market rules, the Company's responsible department also stipulates that the Company's legal department shall strictly review various business contracts, agreements and other documents, clarify rights and obligations, and strengthen compliance inspection, so as to ensure that the Company's derivatives investment and operations meet the requirements of applicable laws and regulations as well as the Company's internal systems.

In order to manage the uncertainty risk caused by price fluctuations of bulk commodities on the purchase cost of raw materials of the Company, financial derivatives such as commodity futures contracts are employed to hedge raw materials. The Company has formulated the "Measures for the Management of Commodity Futures Hedging Business" to standardize the management and risk control of commodity futures derivatives: 1. Market risk: the uncertainty of price changes of bulk commodities has led to greater market risk in futures business. Control measures: the Company's futures hedging business shall not carry out speculative trading, the operation principle of prudence and conservation shall be observed, the number of hedging transactions shall be strictly limited, such that it does not exceed the actual number of spot transactions, and the futures position shall not exceed the spot volume for hedging purpose. 2. Operational risk: operational risk is arising from imperfect internal process, employees' improper operations, system failure and other factors. Control measures: the Company has formulated the corresponding management system to clearly define the division of responsibilities and approval process, and establish an improved supervisory mechanism, so as to effectively reduce operational risk through risk control of business process, decision-making process and transaction process. 3. Legal risk: the Company's commodity futures hedging business is subject to applicable laws and regulations, and shall clearly stipulate the relationship of rights and obligations with financial institutions. Control measures: in addition to strengthening the knowledge of laws and regulations and market rules, the Company's responsible department also stipulates that the Company's legal department shall strictly review various business contracts, agreements and other documents, clarify rights and obligations, and strengthen compliance inspection, so as to ensure that the Company's derivatives investment and operations meet the requirements of applicable laws and regulations as well as the Company's internal systems.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT *(continued)*

4. Investment in Financial Assets *(continued)*

(2) Information on investment in derivatives *(continued)*

(i) Derivative investment for hedging purposes during the Reporting Period *(continued)*

Unit: RMB0'000

Name of the operator of derivatives investment	Related relationship	Related transaction	Type of derivatives investment	Initial investment amount of derivatives investment	Commencement date	Maturity date	Investment amount				Investment amount at the End of the Period	Percentage of the net assets of the Company at the End of the Period	Actual gains or losses during the Period
							at the Beginning of the Period	Amount of purchase during the Period	Amount of disposal during the Period	Impairment provision (if any)			
Change in market price or fair value of the derivatives invested during the Reporting Period (specific method, related assumptions and parameters used in the analysis of the fair value of derivatives shall be disclosed)				Gains or losses arising from changes in fair value of the forward foreign exchange contracts, option contracts and commodity futures contracts during the Reporting Period were RMB-1.5672 million.									
Explanation as to whether there has been a material change in the accounting policy and accounting measurement principles for the Company's derivatives during the Reporting Period as compared with those of the Previous Reporting Period				No									
Specific opinion of independent Directors on investment in derivatives and risk control of the Company				Due to the growing import and export business of the Company, a large amount of foreign exchange transactions are required. To avoid and prevent foreign exchange risk, we are of the view that the forward foreign exchange derivatives trading business carried out by the Company and its subsidiaries were in line with the actual development needs of the Company. When the Board of the Company reviewed this proposal, the relevant decision-making procedures were in compliance with the Company Law, the Securities Law, the Stock Listing Rules of the Shenzhen Stock Exchange and other relevant laws and regulations and the provisions in the Articles of Association of the Company. In summary, we concurred that the Company conducted foreign exchange derivatives trading business with its own funds within the limit approved by the Board.									

Note: The above derivative investments for hedging purposes are accounted for as financial assets held for trading.

(ii) Derivative investment for speculative purposes during the Reporting Period

Applicable Not applicable

During the Reporting Period, the Company did not have derivative investments for speculative purposes.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT *(continued)*

5. Use of Proceeds

Applicable Not applicable

(1) Overall use of proceeds

Applicable Not applicable

Unit: RMB'000

Year of financing	Method of financing	Total amount of proceeds	Total amount of proceeds used during the Year	Total amount of proceeds accumulated	Total amount of proceeds with change in use during the Year	Total amount of proceeds with change in use	Percentage of total amount of proceeds with change in use	Total amount of proceeds unused	Uses and whereabouts of unused proceeds	Amount of proceeds idle for more than 2 years
2016	Non-public issuance	142,030.04	10,735.89	137,552.19	-	68,735.86	48.40%	4,477.85	Unused proceeds are still deposited in the special account for proceeds or under cash management, and will continue to be used in projects invested with proceeds.	-

Note: Brokerage commissions, sponsorship fees and other related expenses have been excluded from the total amount of proceeds; while funds deposited in the special account and interest income generated from cash management have been excluded from the total amount of proceeds unused.

Explanation on overall use of proceeds

With the "Approval in relation to the Non-public Issuance of Shares by Livzon Pharmaceutical Group Inc." (Zheng Jian Xu Ke [2016] No. 1524) issued by the China Securities Regulatory Commission, the Company made a non-public issuance of 29.0982 million ordinary shares (A Shares) denominated in RMB with a nominal value of RMB1 per share at an issue price of RMB50.10 per share, the total amount of proceeds raised amounted to RMB1,457.82 million, and after deduction of issuance expenses of RMB37.5196 million, the amount of RMB1,420.3004 million was deposited into the account of the Company on 2 September 2016.

The proceeds were mainly used for the "Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)", the "Construction project for research & development platform for prolonged-action microspheres technologies (長效微球技術研發平台建設項目)", the "Relocation and expansion project of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (first phase) (麗珠集團新北江製藥股份有限公司搬遷擴建項目(一期))", the "Technological transformation project of bag infusion workshop for Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠袋裝輸液車間技改項目)" as well as for replenishment of working capital and repayment of bank loans, which were consistent with the uses of the proceeds passed by the resolutions of the Board of the Company. As at 31 December 2022, unused proceeds were still deposited in the special account for proceeds or under cash management, and will continue to be used in projects invested with proceeds.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

5. Use of Proceeds (continued)

(2) Particulars of committed projects with proceeds

✓ Applicable □ Not applicable

Unit: RMB0'000

Committed investment projects and the use of over-raised proceeds	Change in project (including partial change)	Total amount of proceeds committed to investment	Total amount of investment after adjustment (1)	Total Invested amount during the Year	Cumulative invested amount as at the End of the Year (2)	Progress of investment as at the End of the Year (3)=(2)/(1)	Date when the project is ready for intended use	Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project
Committed investment projects										
1. Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)	Yes	45,000.00	29,562.72	7,219.24	25,995.22	87.93%	31 December 2024	-	-	No
2. Increased capital injections in Livzon MAB for the construction of "Project for research & development and industrialization of therapeutic antibody-based drugs" (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目")	Yes	30,600.00	-	-	-	-	-	-	-	-
3. Relocation and expansion project of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (first phase) (麗珠集團新北江製藥股份有限公司搬遷擴建項目(一期))	Yes	-	14,328.94	-	14,228.94	99.30%	30 June 2021	-	-	No
4. Technological transformation project of bag infusion workshop for Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠袋裝輸液車間技改項目)	Yes	-	5,311.73	-	5,311.73	100.00%	31 August 2018	957.58	No	No
5. Construction project for research & development platform for prolonged-action microsphere technologies (長效微球技術研發平台建設項目)	Yes	30,182.00	41,141.33	3,534.65	40,330.98	98.03%	31 December 2021	-	-	No
6. Replenishment of working capital and repayment of bank loans	Yes	36,248.04	51,685.32	-	51,685.32	100.00%	N/A	N/A	N/A	No
Subtotal of committed investment projects	-	142,030.04	142,030.04	10,753.89	137,552.19	-	-	957.58	-	-
Use of over-raised proceeds	Not applicable									
Repayment of bank loans (if any)	-	-	-	-	-	-	-	-	-	-
Replenishment of working capital (if any)	-	-	-	-	-	-	-	-	-	-
Subtotal of the use of over-raised proceeds	-	-	-	-	-	-	-	-	-	-
Total	-	142,030.04	142,030.04	10,753.89	137,552.19	-	-	957.58	-	-

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

5. Use of Proceeds (continued)

(2) Particulars of committed projects with proceeds (continued)

Unit: RMB'000

Committed investment projects and the use of over-raised proceeds	Change in project (including partial change)	Total amount of proceeds committed to investment	Total amount of investment after adjustment (1)	Invested amount during the Year	Cumulative invested amount as at the End of the Year (2)	Progress of investment as at the End of the Year (3)= (2)/(1)	Date when the project is ready for intended use	Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project
Particulars of and reasons for not meeting the scheduled progress or expected income (by specific projects)	1.	<p>Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目): As the approval for production was obtained at a time later than expected, the commencement and progress of the later stage clinical trials for new indications of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) and Ilaprazole Enteric-Coated Tablets (艾普拉唑腸溶片) were later than expected, the upgrade of solid drug preparation workshops was delayed correspondingly and the utilization of relevant proceeds failed to meet the expected schedule. On 25 May 2020, the 2019 annual general meeting of the Company considered and approved the "Resolution on Alteration to Certain Projects Invested with Proceeds and Adjustment to Investment Plan and Utilization of Part of Proceeds for Permanent Replenishment of Working Capital" (關於變更部分募集資金投資項目及調整投資計劃並將部分募集資金永久補充流動資金的議案), and agreed that the Company may alter the investment in part of the sub-projects under the "Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)" and adjust the investment plan. Upon completion of the alteration and adjustments, it is still required to invest RMB208.2790 million of the proceeds in this project, which is expected to be available for intended use by 31 December 2024. The annual investment amounts for the next five years are expected to be RMB101.9240 million, RMB46.6760 million, RMB19.00 million, RMB20.00 million and RMB20.6790 million, respectively. As the amount of proceeds invested during 2020 was RMB4.2823 million, being lower than the expectation, the Board of the Company considered and approved the "Resolution on Adjustment to Investment Plan for Projects Invested with Proceeds" (關於調整募集資金投資項目投資計劃的議案) on 22 March 2021, to adjust the investment plan for the Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目). Upon completion of the adjustments, it is still required to invest RMB203.9967 million of the proceeds in this project, which is expected to be available for intended use by 31 December 2024. The annual investment amounts for the next four years are expected to be RMB119.9240 million, RMB54.6760 million, RMB16.00 million and RMB13.3967 million, respectively.</p>								
Particulars of significant change in feasibility of the project		Not applicable								
Amount, uses and progress of utilization of over-raised proceeds		Not applicable								
Change in the implementation site of investment project with proceeds		<p>On 11 December 2020, the Resolution on Adjustment to the Implementation Site and Investment Plan of a Sub-project under Certain Project Invested with Proceeds (關於調整部分募集資金投資項目子項目實施地點及投資計劃的議案) was considered and approved at the 2020 fifth extraordinary general meeting of the Company, pursuant to which it was agreed that the implementation site of the sub-project "Construction of the chemical drug lyophilized powder injection workshop (化藥凍乾粉針車間建設)" under the "Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)" would be adjusted from Level 1, P09 Building, Livzon Industrial Park, No. 38 Chuangye North Road, Jinwan District, Zhuhai City to Level 1, P06 Building, Livzon Industrial Park, No. 38 Chuangye North Road, Jinwan District, Zhuhai City, with the construction period remained unchanged of two years. However, due to the adjustment to the construction site and the corresponding postponement of the construction cycle, it was expected that the latest time for the project to be available for its intended use would be 31 December 2022.</p>								

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

5. Use of Proceeds (continued)

(2) Particulars of committed projects with proceeds (continued)

Unit: RMB'000

Committed investment projects and the use of over-raised proceeds	Change in project (including partial change)	Total amount of proceeds committed to investment	Total amount of investment after adjustment (1)	Invested amount during the Year	Cumulative invested amount as at the End of the Year (2)	Progress of investment as at the End of the Year (3)=(2)/(1)	Date when the project is ready for intended use	Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project
4.	Alteration to the sub-project of the "Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)" and the sub-project of the "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)" and Utilization of Part of the Proceeds for Permanent Replenishment of Working Capital									
	On 25 May 2020, the Resolution on Alteration to Certain Projects Invested with Proceeds and Adjustment to Investment Plan and Utilization of Part of Proceeds for Permanent Replenishment of Working Capital (關於變更部分募集資金投資項目及調整投資計劃並將部分募集資金永久補充流動資金的議案) was considered and approved at the 2019 annual general meeting of the Company, pursuant to which it was agreed that: (1) the amount of RMB105.6790 million of proceeds would continue to be invested in the projects of Ilaprazole tablet (艾普拉唑片) and Ilaprazole Sodium for injection (注射用艾普拉唑鈉), the portion of proceeds saved from these two projects in the amount of RMB102.60 million would be used in the new sub-project "Construction of the chemical drug lyophilized powder injection workshop (化藥凍乾粉針車間建設)"; the sub-projects "Ilaprazole Optical Isomer Preparation (艾普拉唑光學異構體製劑)" and "Ilaprazole Compound Preparation (艾普拉唑複方製劑)" would be terminated, in order to increase the utilization efficiency of proceeds, the remaining balance of proceeds in the amount of RMB154.3728 million would be used for permanent replenishment of working capital. (2) the project "Aripiprazole Sustained-release Microspheres for Injection (14 days) (注射用阿立哌唑緩釋微球(14天))" would be renamed as "Aripiprazole Sustained-release Microspheres for injection (注射用阿立哌唑緩釋微球)" with the investment amount remained unchanged at RMB27.30 million. The project "Goserelin Acetate Sustained-release Microspheres for Injection (1 month) (注射用醋酸戈舍瑞林緩釋微球(1個月))" would be altered to "Goserelin Acetate Sustained-release Implant (醋酸戈舍瑞林緩釋植入劑)" with the investment amount remained unchanged at RMB30.00 million. The sub-projects of "Octreotide Sustained-release Microspheres for Injection (3 months) (注射用奧曲肽緩釋微球(3個月))", "NGF Sustained-release Microspheres for Injection (14 days) (注射用NGF緩釋微球(14天))" and "Gonadorelin Sustained-release Microspheres for Injection (1 month) (注射用艾那瑞林緩釋微球(1個月))" which had not yet commenced would be terminated, and the proceeds of RMB64.00 million originally planned to be invested in these three sub-projects would be used for investment in the construction of the new sub-project "Construction of sustained-release implants workshop (緩釋植入劑車間建設)".									
Preliminary investment and replacement for projects invested with proceeds	On 28 December 2016, the thirty-third meeting of the eighth session of the Board of the Company considered and approved the Resolution on the Replacement of Self-raised Funds Previously Invested in the Projects Invested with Proceeds by the Proceeds (關於使用募集資金置換預先投入募集資金投資項目的自籌資金的議案), the Company would replace the self-raised funds of RMB41.8571 million previously invested in the projects invested with proceeds by the proceeds. On 4 January 2017, the Company had transferred out the fund from its special account for proceeds.									
Temporary replenishment of working capital by idle proceeds	Not applicable									
Balance amount of proceeds arising from project implementation and reasons	Not applicable									
Use and whereabouts of unused proceeds	Unused proceeds were still deposited in the special account for proceeds or under cash management, and will continue to be used in projects invested with proceeds.									
Problems or other issues in the use and disclosure of proceeds	Not applicable									

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

5. Use of Proceeds (continued)

(3) Changes in projects funded with proceeds

✓ Applicable □ Not applicable

Unit: RMB0'000

Project after change	Corresponding originally committed project	Total amount of proceeds intended to be invested in the project after change (1)	Actual investment amount as at the End of the Year (2)		Investment progress as at the End of the Year (3)=(2)/(1)	Date when project is ready for intended use	Benefits realized during the Year		Material change in feasibility of the project after change
			Actual investment amount for the Year	Actual accumulated investment amount as at the End of the Year (2)			Benefits realized during the Year	Expected benefit realized	
Relocation and expansion project of Livzon Group Xinbeijing Pharmaceutical Manufacturing Inc. (first phase) (麗珠集團新北江製藥股份有限公司搬遷擴建項目(一期))	Increased capital injections in Livzon MAB for the construction of "Project for research & development and industrialization of therapeutic antibody-based drugs" (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目")	14,328.94	-	14,228.94	99.30%	30 June 2021	-	-	No
Technological transformation project of bag infusion workshop for Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠袋裝輸液車間技改項目)	Increased capital injections in Livzon MAB for the construction of "Project for research & development and industrialization of therapeutic antibody-based drugs" (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目")	5,311.73	-	5,311.73	100.00%	31 August 2018	957.58	No	No
Construction project for research & development platform for prolonged-action microsphere technologies (長效微球技術研發平台建設項目)	Increased capital injections in Livzon MAB for the construction of "Project for research & development and industrialization of therapeutic antibody-based drugs" (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目")	41,141.33	3,534.65	40,330.98	98.03%	31 December 2021	-	-	No
Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)	Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)	29,562.72	7,219.24	25,995.22	87.93%	31 December 2024	-	-	No
Replenishment of working capital and repayment of bank loans	Replenishment of working capital and repayment of bank loans	51,685.32	-	51,685.32	100.00%	-	N/A	N/A	No
Total	-	142,030.04	10,753.89	137,552.19	-	-	957.58	-	-

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

5. Use of Proceeds (continued)

(3) Changes in projects funded with proceeds (continued)

Unit: RMB0'000

Project after change	Corresponding originally committed project	Total amount of proceeds intended to be invested in the project after change (1)	Actual investment amount as at the End of the Year (2)	Actual Investment progress as at the End of the Year (3)=(2)/(1)	Date when project is ready for use	Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project after change
Description on reasons for change, decision-making process and information disclosure (by specific projects)	1.	<p>Increased Capital Injections in Livzon MAB for the Construction of "Project for Research & Development and Industrialization of Therapeutic Antibody-based Drugs" (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目"): In order to better meet the needs of the Company's operation and development, taking into account the relatively long investment and construction cycle of the original project invested with proceeds, i.e. the "Increased Capital Injections in Livzon MAB for the Construction of 'Project for Research & Development and Industrialization of Therapeutic Antibody-based Drugs' (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目)", and the urgent needs to invest in construction for the "Relocation and Expansion Project of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (First Phase) (麗珠集團新北江製藥股份有限公司搬遷擴建項目(一期))", "Technological Transformation Project of Bag Infusion Workshop for Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠袋裝輸液車間技改項目)", and "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)", being the new projects invested with proceeds, for the purpose of enhancing the efficiency of the Company's proceeds and ensuring the smooth development of these projects, after considered and approved at the 2017 first extraordinary general meeting of the Company, alterations were made to the "Increased Capital Injections in Livzon MAB for the Construction of 'Project for Research & Development and Industrialization of Therapeutic Antibody-based Drugs' (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目)", and the proceeds of RMB306,000,000.00 originally planned to be used in this project was allocated as follows: ① RMB143,289,400.00 for the "Relocation and Expansion Project of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (First Phase) (麗珠集團新北江製藥股份有限公司搬遷擴建項目(一期))"; ② RMB53,117,300.00 for the "Technological Transformation Project of Bag Infusion Workshop for Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠袋裝輸液車間技改項目)"; ③ RMB109,593,300.00 for the sub-project "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)" under "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)". At the same time, the sub-projects of the "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)" were adjusted: ① the original sub-project of "Renovation Project of Pilot Workshop (中試車間裝修項目)" was changed to "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)", and Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠) was newly added as the implementing entity; ② the preclinical research project of "Risperidone Sustained-release Microspheres for Injection (1 month) (注射用利培酮緩釋微球(1個月))" was terminated.</p> <p>For details, please refer to the Company's announcement disclosed in the designated media (Announcement No. 2017-065, 2017-083).</p>						

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

5. Use of Proceeds (continued)

(3) Changes in projects funded with proceeds (continued)

Unit: RMB'000

Project after change	Corresponding originally committed project	Total amount of proceeds intended to be invested in the project after change (1)	Actual		Investment progress as at the End of the Year (3)=(2)/(1) use	Date when project is ready for intended	Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project after change
			Actual investment amount for the Year	accumulated investment amount as at the End of the Year (2)					
2.	Construction Project for Research & Development Platform for Prolonged-action Microsphere Technologies (長效微球技術研發平台建設項目): Given that the Company had transferred the project "Leuprorelin Acetate Sustained Release Microspheres for Injection (3 months) (注射用醋酸亮丙瑞林緩釋微球(3個月))" to Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司) and the latter would continue to carry out relevant work such as clinical trials and application for production, hence subsequently the Company would no longer invest in this project by using the proceeds. After considered and approved at the 2018 annual general meeting of the Company, it was agreed that the sub-project "Leuprorelin Acetate Sustained Release Microspheres for Injection (3 months) (注射用醋酸亮丙瑞林緩釋微球(3個月))" under the "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)" would be altered and proceeds would no longer be used to invest in this project, the remaining balance of RMB30.3858 million of proceeds would be adjusted for use by the "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)". After the adjustment, an aggregate amount of RMB194.3191 million of proceeds was intended to be invested in the "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)", and the remaining investment amount for such workshop construction project would be supplemented by the self-raised funds of the Company. For details, please refer to the Company's announcement disclosed in the designated media (Announcement No. 2019-020, 2019-032). According to the progress of R&D of certain sub-projects of the "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)", appropriate adjustments were made to the project, the project "Aripiprazole Sustained-release Microspheres for Injection (14 days) (注射用阿立哌唑緩釋微球(14天))" would be renamed as "Aripiprazole Sustained-release Microspheres for Injection (注射用阿立哌唑緩釋微球)" with the investment amount remained unchanged at RMB27.30 million; the project "Goserelin Acetate Sustained-release Microspheres for Injection (1 month) (注射用醋酸戈舍瑞林緩釋微球(1個月))" would be altered to "Goserelin Acetate Sustained-release Implant (醋酸戈舍瑞林緩釋植入劑)" with the investment amount remained unchanged at RMB30.00 million; the sub-projects "Octreotide Sustained-release Microspheres for Injection (3 months) (注射用奧曲肽緩釋微球(3個月))", "NGF Sustained-release Microspheres for Injection (14 days) (注射用 NGF 緩釋微球(14天))" and "Gonadorelin Sustained-release Microspheres for Injection (1 month) (注射用戈那瑞林緩釋微球(1個月))" which had not yet commenced would be terminated, and the proceeds of RMB64.00 million originally planned to be invested in these three sub-projects would be used for investment in the construction of the new sub-project "Construction of sustained-release implants workshop (緩釋植入劑車間建設)". For details, please refer to the Company's announcement disclosed in the designated media (Announcement No. 2020-023, 2020-120).								
3.	Project for in-depth development and industrialization upgrade of innovative llaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目): According to the actual implementation conditions of the clinical studies post market launch and industrialization development and technological reform of the products of two sub-projects of "lloprazole tablet (艾普拉唑片)" and "lloprazole Sodium for injection (注射用艾普拉唑鈉)", since lloprazole Sodium for injection (注射用艾普拉唑鈉) had obtained approval for market launch and was included in the latest national medical insurance catalogue in November 2019, in order to satisfy the future needs of production and sales of lloprazole Sodium for injection (注射用艾普拉唑鈉), and considering the suspension of R&D for lloprazole Optical Isomer Preparation (艾普拉唑光學異構體製劑) and lloprazole Compound Preparation (艾普拉唑複方製劑) due to changes in the market environment, in order to increase the utilization efficiency of proceeds, RMB105.6790 million of proceeds would continue to be invested in two sub-projects of "lloprazole tablet (艾普拉唑片)" and "lloprazole Sodium for injection (注射用艾普拉唑鈉)", the portion of proceeds saved from these two projects in the amount of RMB102.60 million would be used in the new sub-project "Construction of the chemical drug lyophilized powder injection workshop (化藥凍乾粉針車間建設)", and the remaining balance of proceeds in the amount of RMB154.3728 million from lloprazole Optical Isomer Preparation (艾普拉唑光學異構體製劑) and lloprazole Compound Preparation (艾普拉唑複方製劑) would be used for permanent replenishment of working capital. Moreover, due to the needs of overall business development at the current stage, the Company had adjusted the layout of the industrial park. Considering the fast growth in sales maintained by lloprazole Sodium for injection (注射用艾普拉唑鈉), it is predicted that more expansion space would be needed for the development of production lines in future, but the existing P09 building has certain constraints, therefore the Company had decided to change the construction site of "Construction of the chemical drug lyophilized powder injection workshop (化藥凍乾粉針車間建設)" from P09 building to the P06 building in order to sufficiently safeguard the needs of lloprazole Sodium for injection (注射用艾普拉唑鈉) in production and operation. After the adjustment, the construction cycle would remain two years, however, due to the change in the construction site, the construction cycle would be postponed accordingly, and it is expected to be available for intended use by 31 December 2022. For details, please refer to the Company's announcement disclosed in the designated media (Announcement No. 2020-023, 2020-120).								

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

5. Use of Proceeds (continued)

(3) Changes in projects funded with proceeds (continued)

Unit: RMB0'000

Project after change	Corresponding originally committed project	Total amount of proceeds intended to be invested in the project after change (1)	Actual accumulated investment amount as at the End of the Year (2)	Investment progress as at the End of the Year (3)=(2)/(1)	Date when project is ready for use	Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project after change
		investment amount for the Year	investment amount as at the End of the Year (2)	at the End of the Year (3)=(2)/(1)	ready for use	realized during the Year	benefit realized	of the project after change
Particulars of and reasons for not meeting the scheduled progress or expected income (by specific projects)	1.	Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目): On 25 May 2020, the 2019 annual general meeting of the Company considered and approved the "Resolution on Alteration to Certain Projects Invested with Proceeds and Adjustment to Investment Plan and Utilization of Part of Proceeds for Permanent Replenishment of Working Capital" (《關於變更部分募集資金投資項目及調整投資計劃並將部分募集資金永久補充流動資金的議案》), and agreed that the Company may alter the investment in part of the sub-projects under the "Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)" and adjust the investment plan. Upon completion of the alteration and adjustments, it is still required to invest RMB208.2790 million of the proceeds in this project, which is expected to be available for intended use by 31 December 2024. As the amount of proceeds invested during 2020 was RMB4.2823 million, being lower than the expectation, the Board of the Company considered and approved the "Resolution on Adjustment to Investment Plan for Projects Invested with Proceeds" (《關於調整募集資金投資項目投資計劃的議案》) on 22 March 2021, to adjust the investment plan for the Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目). Upon completion of the adjustments, it is still required to invest RMB119.9240 million of the proceeds in this project, which is expected to be available for intended use by 31 December 2024. The annual investment amounts for the next four years are expected to be RMB119.9240 million, RMB54.6760 million, RMB16.00 million and RMB13.3967 million, respectively.						
	2.	Technological Transformation Project of Bag Infusion workshop for Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠袋裝輸液車間技改項目): As a result of the impact of policies including the adjustment of medical insurance catalogue, cost control and local adjuvant drugs, the sales generated from Shenqi Fuzheng Injection (參芪扶正注射液) (bag infusion) did not achieve the expected income level.						
Particulars of material change in feasibility of projects after change	Not applicable							

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VIII. DISPOSAL OF MATERIAL ASSETS AND EQUITY

1. Disposal of material assets

Applicable Not applicable

2. Disposal of material equity

Applicable Not applicable

IX. ANALYSIS OF MAJOR CONTROLLED AND INVESTED COMPANIES

Applicable Not applicable

Unit: RMB

Name of company	Type of company	Principal business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Subsidiary	Principally engaged in production and sale of self-made chemical drugs, biochemical drugs, microbiological preparations, biological products, etc.	450,000,000.00	4,368,511,974.33	2,608,206,945.28	4,140,906,522.07	1,035,313,640.20	909,340,939.79
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Subsidiary	Principally engaged in R&D, production and sale of Chinese patent drugs, major products include Anti-viral Granules, Dexamethasone Oral Paste, etc.	149,000,000.00	1,720,302,489.79	1,176,646,255.75	520,015,347.10	96,117,191.90	83,307,837.88
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Subsidiary	Principally engaged in production and operation of Chinese drug preparations and pharmaceutical raw materials, etc., major products include Shenqi Fuzheng Injection (參芪扶正注射液), Xueshuantong, etc.	61,561,014.73	838,972,054.45	423,428,323.21	425,346,435.63	117,508,242.26	100,667,164.01
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	Subsidiary	Principally engaged in production of biochemical and polypeptide APIs, major products include biochemical APIs such as Menotropin and Chorionic Gonadotropin.	87,328,900.00	1,781,576,227.35	1,085,391,005.38	1,871,089,916.10	627,836,652.11	535,652,021.72
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Subsidiary	Principally engaged in production and operation of chemical APIs, major products include Cefuroxime Sodium, Cefodizime Sodium, Ceftriaxone Sodium, etc.	128,280,000.00	1,816,008,818.73	975,923,075.97	1,230,006,266.19	392,051,077.51	335,215,615.68
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	Subsidiary	Principally engaged in export of APIs, intermediate products and related technologies, major products include Pravastatin, Mevastatin, Salinomycin, etc.	239,887,700.00	3,618,941,114.38	1,842,221,783.99	2,262,590,907.42	682,304,141.28	477,363,896.36

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IX. ANALYSIS OF MAJOR CONTROLLED AND INVESTED COMPANIES *(continued)*

Name of company	Type of company	Principal business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	Subsidiary	Principally engaged in production of antibiotics APIs, intermediate and drug preparation products and chemical raw materials for pharmaceutical production, major products include Colistin Sulfate, Vancomycin, Phenylalanine, etc.	USD41,700,000	1,453,296,348.61	946,799,499.22	1,026,849,753.27	507,274,739.27	429,862,049.54
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	Subsidiary	Principally engaged in production and sale of diagnostic reagents, major products include diagnostic reagent products such as Diagnostic Kit for IgM/IgG Antibody to Coronavirus (SARS-CoV-2) (Lateral Flow), Rapid Test for Mycoplasma Pneumoniae IgM Antibody (Lateral Flow) and Diagnostic Kit for Human Immunodeficiency Virus Antibody (ELISA), etc.	400,000,000.00	1,210,170,064.74	765,165,421.41	742,720,684.16	75,648,871.37	72,121,220.19
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Principally engaged in research, development and commercialization of biopharmaceutical products.	1,453,330,000.00	1,728,790,609.70	-494,442,450.62	205,866,313.92	-727,990,065.38	-728,622,445.95

Note: For the data in the consolidated financial statements of Xinbeijiang Pharma, subsidiaries under consolidation include Ningxia Pharma, Fuzhou Fuxing, and Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司). Livzon MAB is the key R&D enterprise of the Group. Its loss is mainly due to investment in R&D.

Subsidiaries acquired and disposed of during the Year

✓ Applicable Not applicable

Company name	Method of acquirement and disposal of the subsidiary during the Reporting Period	Effect on the general production, operation and results
LIVZON BIOLOGICS (MALAYSIA) SDN. BHD.	New Establishment	No material impact

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IX. ANALYSIS OF MAJOR CONTROLLED AND INVESTED COMPANIES *(continued)*

Description of major controlled and invested companies

Applicable Not applicable

The Shenzhen Stock Exchange suspended the review of listing of Tianjin Tongrentang Group Co., Ltd.* (天津同仁堂集團股份有限公司) (“Tianjin Tongrentang”) on 26 January 2022, as CSRC has initiated an investigation against ShineWing Certified Public Accountants (Special General Partnership), the accountant engaged by Tianjin Tongrentang for the initial public offering of its shares and listing on the ChiNext Board.

Since ShineWing Certified Public Accountants (Special General Partnership), the engaged accountant, has issued the review report, the Shenzhen Stock Exchange resumed the review of listing of Tianjin Tongrentang on 30 March 2022.

Save as disclosed above, please refer to the 2021 Annual Report of the Company for its investment in Tianjin Tongrentang.

X. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

Applicable Not applicable

XI. DETAILS OF MATERIAL INVESTMENT OR ACQUISITION PLAN OF CAPITAL ASSET

Save as disclosed herein, the Group did not have any material investment or material acquisition of subsidiaries or associated companies or other disclosable major events during the Year, nor did the Group have any other future plans on material investments or capital assets.

XII. DETAILS OF SUBSEQUENT EVENTS WITH MATERIAL IMPACT ON THE GROUP AFTER THE ACCOUNTING PERIOD

Since the end of the accounting period, save as disclosed herein, there has been no subsequent event with material impact on the Group.

XIII. OTHER SIGNIFICANT EVENTS

During the Year, save as disclosed herein, the Company had no significant investment, material acquisition or disposal involving any subsidiary or associated company, nor occurrence of other significant events which are required to be disclosed.

XIV. PROSPECTS FOR FUTURE DEVELOPMENT

In 2023, the Group will always adhere to the mission of “prioritizing the quality of life of patients” and the vision of “becoming a leader in the pharmaceutical industry”, further its advantages in the platform of innovative drugs and high-barrier complex preparations, and steadily improve the efficiency of research and development. Simultaneously, we shall strengthen management innovation, comprehensively improve the sustainable development capabilities of the enterprise through digital and intelligent new technologies and new models, actively respond to industry policy changes, and continue to deepen market promotion. The major task focuses are as follows:

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIV. PROSPECTS FOR FUTURE DEVELOPMENT *(continued)*

(1) Chemical drug preparations

In respect of innovative R&D, the Group will continue to strengthen and improve its independent R&D system, continuously place emphasis on innovative drugs with outstanding clinical value and high-barrier complex preparations around gastroenterology, psychiatry, assisted reproduction, anti-tumor and other core fields, continue to internally cultivate and externally attract high-end R&D talents and establish a differentiated product pipeline layout. The Group will improve the management of each functional module of the R&D system, strengthen the comprehensive dynamic evaluation of the products under research, and rationally allocate R&D resources by prioritizing the projects under research and to accelerate the R&D progress of key products under development. At the same time, the Group will integrate resources and optimize the R&D platform, continue to strengthen external cooperation, and optimize team building of the core products on which we have advantages by various forms including introduction of projects and joint development, and actively promote the internationalization process.

In respect of marketing, the Group will continue to focus on evidence marketing, co-marketing and service marketing. The key work deployments are as follows: (i) to promote the completion of the rigid assessment indicators of core varieties, strive for increments for hospitals that have reached the accomplishment rate, and require mandatory accomplishment for hospitals which are below accomplishment rate; (ii) to strengthen the assessment of hospital coverage for core varieties, continue to strengthen the expansion of Ilaprazole (艾普拉唑) in relevant departments, continue to reinforce product promotion and new hospitals development in the field of assisted reproduction, and rapidly expand the market layout of psychiatry products in general hospitals; (iii) to promote the rapid coverage of core varieties in public hospitals, private hospitals, public micro and private micro primary medical institutions, boost the repurchase rate and accomplishment rate, and enhance the market risk resistance; (iv) to continue to cultivate, support, plan and expand products with potential, extend product life cycle, and promote sound development of product; (v) to follow up relevant policies such as national medical reform in real time, strengthen the clinical and pharmaco-economics research of products in the post-launch stage, and respond actively to the adjustment of medical insurance in 2023; (vi) in respect of the OTC retail market, to leverage on the out-of-hospital market and pharmacy coverage, continue to build an Internet digital marketing platform, and to consolidate and increase the number of OTC retail terminals and product coverage in the primary market.

In respect of production, the Group will continue to strengthen internal operation management, consolidate the linkage between production, supply and sales plans, and enhance the operational efficiency of the supply chain; continue to strengthen the quality management of the entire life cycle, attach great importance to product quality control and effective operation of quality system and prevent the occurrence of material incidents of quality safety; further deepen the promotion of lean production, promote the construction of green energy projects, and continue to improve production efficiency and endogenous power of energy conservation, emission reduction and environmental protection.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIV. PROSPECTS FOR FUTURE DEVELOPMENT *(continued)*

(2) Biological products

In 2023, the Group's key tasks in the field of biological products will continue to be the rapid advancement of project research and development, as well as the rapid promotion of the quality system improvement and product commercialization of LivzonBio as the projects gradually enter the stage of production application.

In terms of research and development, firstly, we will leverage the advantages of platform technology, and follow up the research and development of next-generation COVID-19 vaccines; secondly, we will continue to promote the clinical trials of core products such as Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody Injection (重組抗人 IL-17A/F 人源化單克隆抗體注射液), Recombinant Human Follitropin Alfa Solution for Injection (重組人促卵泡激素注射液); thirdly, we will actively promote the independent development, authorized introduction and cooperative development of new projects, and based on the Company's development strategy, further enrich the product preclinical and clinical R&D pipelines. The layout will focus on areas of vaccines, tumor immunology and characteristic areas of focus, we will promote the establishment and R&D of new projects, and further expand the product R&D pipeline.

In terms of product marketing, we will establish a production and marketing linkage mechanism, improve the post-marketing adverse reaction monitoring/pharmacovigilance system, improve the sales promotion of the marketed products, such as Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素) and COVID-19 vaccines, and promote the commercial promotion and sales of Tocilizumab Injection (托珠單抗注射液) in the treatment of severe COVID-19 and rheumatoid arthritis.

In terms of production quality construction, the Company will continue to strengthen the quality system construction of LivzonBio's biological products for treatment and vaccine workshops to improve the Company's quality management level and industrialization capability.

(3) APIs and intermediates

In 2023, the Company will continue to deepen its cooperation with global strategic customers, increase the market development of competitive products, focus on the overall expansion of overseas markets, and strive to achieve both annual sales and profit margins. The Group's pet preparation Imidacloprid and Moxidectin Spot-on Solutions (寵物製劑吡蟲啉莫昔克丁滴劑產品) was launched in 2022. Taking into account the characteristics and promising development prospects of animal health products-related businesses, the Company and Joicare jointly invested in the establishment of a joint venture company, aiming to integrate the advantages of both parties in the field of research and development, production, brand promotion, online and offline omni-channel marketing, etc., to further accelerate the business layout and promotion in the field of animal health, which is conducive to consolidating and enhancing the Company's original advantages in the field of animal health APIs and comprehensive competitiveness of the business, and entering the consumer market with rapid development of animal health preparations.

In 2023, the API business department will continue to adhere to the guiding ideology of "securing safety and environmental protection, ensuring quality, reducing costs, and grabbing the market", and continuously improve and enhance EHS work to ensure safe and environmentally friendly production. We will continue to promote project work such as technology improvement, cost reduction and efficiency increase, energy saving and emission reduction; focus on promoting the research and development of new products of special APIs and the improvement of existing products, and further improve the overall profitability and industry competitiveness of APIs and intermediates.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIV. PROSPECTS FOR FUTURE DEVELOPMENT *(continued)*

(4) Traditional Chinese medicine preparations

In 2023, the Group's traditional Chinese medicine ("TCM") business will focus on "controlling risks, ensuring quality and focusing on improvement", to achieve the development of the Group's industrialization, modernization and digitization in the field of TCM, and set a benchmark for oral solid dosage forms of TCM.

The Group will continue to increase its academic marketing efforts in the field of TCM: to strengthen the promotion layout of Shenqi Fuzheng Injection (參芪扶正注射液) in the oncology field, and to continue to deeply cultivate the TCM oncology sales force and primary sales force; enlarge the sales layout of Anti-viral Granules (抗病毒顆粒), and strive to form synergy between retail pharmacies and online promotion. In addition, for TCM preparations, on the basis of the original strategic large varieties such as oncology and respiratory segments, we will strengthen marketing efforts for the disease categories on which TCM have treatment advantages, including paediatrics, geriatrics, urology and kidney, facilitate the promotion of varieties with potential, and accelerate the cultivation of large varieties and product portfolio.

In addition, the Group will continue to conduct basic research on key products that have been launched to provide strong support for academic promotion and clinical rational use of drugs. At the same time, we will further strengthen the R&D planning and investment on new TCM with unique features and classic prescriptions, and accelerate the progress of our R&D projects on TCM. We will continue to promote the research on key medicinal materials for core products and the construction of green ecological planting bases, and deploy the entire TCM industry chain from the multiple dimensions of planting, production and sales.

(5) Diagnostic reagents and equipment

In 2023, Livzon Diagnostics will continue to focus on advantageous areas including autoimmune diseases, respiratory infectious diseases and major infectious diseases, relying on key platforms including multi-liquid chip, chemiluminescence and molecular diagnostics, increase the number of customers by point-to-face marketing based on key benchmarking customers, establish regional benchmark customers in more provinces and improve customers' recognition of products.

In respect of R&D, Livzon Diagnostics will continue to focus on strategic directions including autoimmune diseases and infectious diseases, combined with continuous efforts on comprehensive deployment which covers upstream raw materials, automated equipment and diagnostic reagents. Livzon Diagnostics will strengthen capabilities of self-dependent innovation, secure product quality and stable supply from the origin, and reduce procurement risks.

In respect of production, Livzon Diagnostics will continue to optimize production processes, improve product quality and optimize manufacturing costs for key products.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XV. RISKS AND RESPONSE MEASURES

1. Risk of changes in industrial policies

The pharmaceutical industry is significantly affected by changes in industrial policies. As China has been deepening reforms of the pharmaceutical and health systems, the relevant systems of policies and regulations are further amended and improved. For example, measures such as the enforcement and adjustment of the medical insurance catalogue, the continuous implementation of centralized bulk-buying and new guiding principles for R&D may have deep and lasting impact on the future development of the pharmaceutical industry, and may also have different levels of impact on the Group's R&D, production and sales. On 13 June 2022, the NHSA issued the "2022 Work Plan of the Adjustment to the Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance" (the "Work Plan") and related documents for public comments, marking commencement of a new round of adjustment work for the National Medical Insurance Catalogue. On 8 January 2023, the negotiation of National Medical Insurance Catalogue for 2022 successfully concluded. In this adjustment, a total of 111 drugs were added to the catalogue while 3 drugs were removed from the catalogue. From the perspective of negotiation and bidding, 147 drugs outside the catalogue participated in the negotiation and bidding (including the renewal negotiation of drugs which had been in the catalogue), among which, 121 drugs were negotiated or bid successfully, giving an overall success rate of 82.3%. There was an average price reduction of 60.1% for the drugs newly admitted through negotiation and bidding.

Response measures: In respect of adjustments to the Medical Insurance Catalogue, till now, a total of 187 products of the Group are included in the National Medical Insurance Catalogue (2022), including 92 drugs in the class A list and 95 drugs in the class B list. After the adjustments to the Medical Insurance Catalogue in 2021, the Group's product Ilaprazole Sodium for Injection (注射用艾普拉唑钠) continued to be included into the negotiation catalogue. After the product is included in the Medical Insurance Catalogue, the clinical value of the product would be increased, and more patients would be benefitted. At present, the coverage of this product in hospitals with levels is relatively low, the price reduction would benefit more patients. The Company will continue to expand the hospital coverage and product sales and realize "lower the price in exchange for more quantity", so as to mitigate the impact of adjustments to prices of the medical insurance payment on the stable growth of the Company's results. In recent years, the adjustment work for the Medical Insurance Catalogue has been continuously improved and has entered the era of dynamic adjustment. The national medical insurance negotiations for 2022 was held on 5-8 January 2023, and there is no change in the Group's medical insurance products. Subsequently, the Company will continue to pay close attention to changes in industrial policies and strengthen its capability in responding to environmental changes such as policy orientation and industrial policies. In addition, the Company will continue to increase R&D investment and strive to improve R&D innovation capabilities to further promote the healthy and sustainable development of the enterprise.

2. Risk of decline in the prices of products

After pharmaceutical products are approved and launched in the market, in addition to market competition, they are also affected by many factors in various aspects, including medical insurance, tenders, and in particular, centralized bulk-buying and other industry policies, which have made pharmaceutical enterprises face pressure of price decline. Centralized bulk-buying refers to the process of tender or price negotiation in centralized purchase of drugs where the exact quantity to be purchased shall be specified, so that bidding price for specific amounts of drugs may be provided by enterprises. On 20 June 2022, the Shanghai Sunshine Medical Procurement All-In-One website issued the announcement on the National Centralized Drug Procurement Document (GY-YD2022-1), the seventh round of centralized drug purchase organized by the State was officially launched, with a total of 61 varieties. Price reduction was also reflected in the national medical insurance negotiations. In 2021, NHSA conducted negotiations and successfully negotiated the inclusion of 67 exclusive drugs outside the Medical Insurance Catalogue, with an average price reduction of 61.71%. The national medical insurance negotiations for 2022 was held on 5-8 January 2023. There was an average price reduction of 60.1% for the drugs newly admitted through negotiation and bidding.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XV. RISKS AND RESPONSE MEASURES *(continued)*

2. Risk of decline in the prices of products *(continued)*

Response measures: For centralized bulk-buying, the selected enterprises need to lower their prices in exchange for more sales volume. Therefore, the prices of the selected drugs may fall significantly. However, given the guaranteed minimum purchase quantity of these drugs within the procurement cycle after being selected, the selected enterprises can reduce the unit production cost of these drugs through large-scale production and lower sales costs by reducing efforts in cross-regional market promotion. In addition, if an enterprise gain a certain amount of market share after being selected, it can also offset the impact of the price reduction and it is of great significance for such enterprise to consolidate its market position in the industry. The Company continued to pay close attention to the dynamic progress of the State centralized bulk-buying. Omeprazole Sodium for Injection (注射用奧美拉唑鈉) had participated in the seventh round centralized procurement bidding, but it was not selected as shown in the announcement released on 13 July 2022. The drug passed the consistency evaluation in June 2021. The sales revenue in 2022 accounted for 0.05% of the Company's operating revenue in 2022, which was a relatively small proportion. Failing to be included in such centralized procurement did not have a significant impact on the Company's operations. On 10 January 2023, the Office for Joint Procurement of Drugs by the State (國家組織藥品聯合採購辦公室) issued the Notice on Reporting the Purchasing Data of the Eighth Round of State-Organized Drug Centralized Procurement Products (《關於報送第八批國家組織藥品集中採購品種範圍相關採購數據的通知》). The Company will continue to pay attention to the subsequent implementation progress and strive to meet consistency evaluation standards for the relevant drugs. Moreover, the Company will also continue to innovate, research and develop innovative drugs and high-barrier complex preparations required urgently in clinical application and with a certain amount of high added-value. Deeper exploration will be made on existing products with market potential and technical barriers. Reassessment of key drugs after their market launch and consistency evaluation of the relevant drugs will be promoted actively. Product composition will be continuously optimized, while active efforts will be made to explore and expand into the overseas markets. For adjustments to the Medical Insurance Catalogue, as Ilaprazole Sodium for Injection (注射用艾普拉唑鈉), the patented new drug developed by the Company, continued to be included in the 2021 national medical insurance negotiation catalogue with its price dropped from RMB156 per unit to RMB71 per unit. Nevertheless, as the payment limit of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) was cancelled, more patients were benefitted as the suffix remarks of the Medical Insurance Catalogue were adjusted from "limited to patients diagnosed with diseases indicated in the insert sheets and subject to fasting or have dysphagia" to "Peptic Ulcer and Bleeding" as set out in the insert sheets. According to the official documents of the NHSA, further negotiations on prices of drugs admitted to the hospitals may not be allowed. Negotiation drugs shall not be subject to proportion of drugs and average costs of each time, and physician shall have priority to use these drugs in their practices. Accordingly, despite its lower price, Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) will continue to give full play to its clinical value with its outstanding product competitiveness. Following the inclusion into the Medical Insurance Catalogue, the hospital coverage of this drug is expected to be further expanded, which will benefit more patients. The negotiation of National Medical Insurance Catalogue for 2022 have been formally concluded on 8 January 2023, and there is no change in the Company's medical insurance products. Subsequently, the Company will continue to follow up the relevant policies of the national medical insurance in real time, strengthen the clinical and pharmaco-economics research of its products in the post-launch stage, and actively respond to the future adjustment to the medical insurance catalogue.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XV. RISKS AND RESPONSE MEASURES *(continued)*

3. Risk of R&D for new drugs

In general, pharmaceutical products (including vaccines) are required to go through many processes and stages from R&D to market launch, including pre-clinical research, application for clinical registration, approval for clinical trials, clinical trials, filing for production registration, on-site inspection, and approval for production, with a long cycle involving many segments, and the R&D result is subject to uncertainty, hence risk of R&D exists. Also, after the product is successfully researched and produced, the scale of market sales may also be affected by numerous factors. On 30 March 2020, the State Administration for Market Regulation announced that the Administration Measures for Drug Registration (《藥品註冊管理辦法》) has come into effect on 1 July 2020, which has encouraged R&D and innovation in pharmaceutical products to enhance their availability: (i) by combining the development of pharmaceutical industry and the actual needs for clinical treatment in the PRC, and by making reference to international experience, a new chapter on accelerating the market registration procedure for drugs has been added and four accelerated channels including breakthrough treatment drugs, conditional approval, priority in evaluation and approval, and special approval have been established; (ii) drugs in shortage for urgent clinical use, drugs for children, drugs for rare diseases, drugs for material infectious diseases, and other drugs listed in the Pharmaceutical Administration Law and other documents of State Council are clearly included in the scope of accelerated market registration. The Administration Measures for Drug Registration emphasizes on the orientation of clinical value, encourages research and invention of new drugs, which have further enhanced the efficiency in drug registration, in particular registration for innovative drugs.

Response measures: The Company will focus on innovative drugs and high-barrier complex preparations, pay attention to unfulfilled clinical needs and invest in innovative R&D as we have always pursued in the past. Meanwhile, the Company will further improve the R&D and innovation systems, introduce and develop high-end talents, proactively carry out cooperation and introduction of overseas innovative drugs, strengthen market research and evaluation of varieties, reinforce the process regulation and risk management of the initiation of R&D projects, and concentrate efforts to make key breakthroughs in the R&D of core products. At the same time, the Group's advantages in APIs will be fully utilized to reinforce the integration of API and drug preparations to ensure the long-term sustainability of the Company.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XV. RISKS AND RESPONSE MEASURES *(continued)*

4. Risk of fluctuations in the supply and prices of raw materials

Raw materials such as traditional Chinese medicinal materials, APIs, supplementary materials, and packaging materials have been affected by a number of factors including macroeconomic factors, monetary policy, environmental protection management, natural disasters, etc. Instances of limited supply or volatile fluctuations in prices may be resulted, which may have certain impact on the profitability of the Company.

Response measures: Firstly, the Company has already built its own GAP production base for some of the key categories of the raw materials of traditional Chinese medicinal materials. Secondly, the Company will strengthen market supervision and control and analysis, make rational arrangement for inventory and purchasing cycle to reduce risk. Furthermore, the Company will refine production subject to guarantee on quality and implement effective cost control measures. The raw materials for Ilaprazole series (艾普拉唑系列) products, Shenqi Fuzheng Injection (參芪扶正注射液), Bismuth Potassium Citrate series (得樂系列) products, reproduction series products, endocrine products and psychiatric products, which are the Group's key drug preparation products, were supported by the entire industry chain within the Group, therefore the supply and prices of these raw materials could maintain stability. Despite the relatively significant increase in the price of certain raw materials for Anti-viral Granules (抗病毒顆粒), the impact on the cost of Anti-viral Granules (抗病毒顆粒) is under control since the Group has made strategic reserves of such raw materials and directly purchased such raw materials from suppliers of GAP bases. In addition, prices of raw materials for the Group's API segment fluctuated to a certain extent as a result of the impact of industry and trading policies at home and abroad. However, with its strategic reserve procurement and futures hedging activities, the Company was able to control the cost of raw and auxiliary materials, our production operation was not affected much.

5. Risk of environmental protection

During the production of APIs, a certain amount of wastewater, waste gas and waste residue may be produced. As national and local environmental protection authorities step up their efforts in the supervision and control of environmental protection and increasing social awareness on environmental protection, the environmental protection requirements for production enterprises of APIs are becoming more stringent, and expenses of environmental protection have been increasing. Some pharmaceutical enterprises are even faced with the troubles of production suspension and restricted production.

Response measures: The Company strictly complies with the national environmental protection policies and legal requirements, further increases investments and efforts in environmental protection, continuously reforms and upgrades environmental equipment, and refines management of pollutant discharge and resource utilization. Meanwhile, training and education on safety will be conducted in a timely manner, and strict enterprise internal control standards will be set up, surveillance on major waste discharge units will be stepped up to attain the discharge and emission standards and strictly monitor the risks of environmental protection. The Group keeps practicing green and low-carbon operations and strives to achieve carbon neutrality by 2055.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XVI. HOSTING RESEARCHES, COMMUNICATIONS AND INTERVIEWS DURING THE REPORTING PERIOD

✓ Applicable □ Not applicable

Date of reception	Place of reception	Method of reception	Type of guests	Name of guests	Main contents discussed and information provided	Index of basic information of research
5 January and 6 January 2022	The office of the Company	Field research, telephone communication	Institution	ICBC Credit Suisse, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 5 January and 6 January 2022" published by the Company on Cninfo on 6 January 2022
7 January 2022	Not Applicable	Telephone communication	Institution	China Galaxy International Asset Management	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 7 January 2022" published by the Company on Cninfo on 7 January 2022
18 January 2022	Not Applicable	Telephone communication	Institution	SWS Research, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 18 January 2022" published by the Company on Cninfo on 19 January 2022
24 January 2022	Not Applicable	Telephone communication	Institution	Huihefeng Investment Holding Co., Ltd., etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 24 January 2022" published by the Company on Cninfo on 24 January 2022
14 February 2022	Not Applicable	Telephone communication	Institution	Guosheng Securities, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 14 February 2022" published by the Company on Cninfo on 14 February 2022

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XVI. HOSTING RESEARCHES, COMMUNICATIONS AND INTERVIEWS DURING THE REPORTING PERIOD *(continued)*

Date of reception	Place of reception	Method of reception	Type of guests	Name of guests	Main contents discussed and information provided	Index of basic information of research
18 February 2022	The office of the Company	Field research, telephone communication	Institution	National Business Daily, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 18 February 2022" published by the Company on Cninfo on 18 February 2022
22 February and 23 February 2022	The office of the Company	Field research, telephone communication	Institution	China Securities, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 22 February and 23 February 2022" published by the Company on Cninfo on 23 February 2022
24 February and 25 February 2022	Not Applicable	Telephone communication	Institution	Bosera Funds Management Co, Ltd., etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 24 February and 25 February 2022" published by the Company on Cninfo on 28 February 2022
12 April 2022	Not Applicable	Telephone communication	Institution	Fund managers, analysts and individual investors	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 12 April 2022" published by the Company on Cninfo on 14 April 2022
28 April 2022	Not Applicable	Telephone communication	Institution	China Business Journal	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 28 April 2022" published by the Company on Cninfo on 28 April 2022
25 April to 28 April 2022	Not Applicable	Telephone communication	Institution	Soochow Proprietary, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities from 25 April to 28 April 2022" published by the Company on Cninfo on 28 April 2022

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XVI. HOSTING RESEARCHES, COMMUNICATIONS AND INTERVIEWS DURING THE REPORTING PERIOD *(continued)*

Date of reception	Place of reception	Method of reception	Type of guests	Name of guests	Main contents discussed and information provided	Index of basic information of research
9 May to 10 May 2022	Not Applicable	Telephone communication	Institution	CITIC Securities, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 9 May and 10 May 2022" published by the Company on Cninfo on 11 May 2022
18 May 2022	Not Applicable	Telephone communication	Institution	Industrial Securities Co., Ltd., etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 18 May 2022" published by the Company on Cninfo on 19 May 2022
31 May 2022	The office of the Company	Field research	Institution	Dacheng Fund, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 31 May 2022" published by the Company on Cninfo on 1 June 2022
6 July and 7 July 2022	The office of the Company	Field research, telephone communication	Institution	Industrial Securities, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 6 July and 7 July 2022" published by the Company on Cninfo on 8 July 2022

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XVI. HOSTING RESEARCHES, COMMUNICATIONS AND INTERVIEWS DURING THE REPORTING PERIOD *(continued)*

Date of reception	Place of reception	Method of reception	Type of guests	Name of guests	Main contents discussed and information provided	Index of basic information of research
19 August 2022	The office of the Company	Field research, telephone communication	Institution	Guosheng Securities, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 19 August 2022" published by the Company on Cninfo on 19 August 2022
7 September 2022	Not Applicable	Telephone communication	Institution and individuals	Haitong Securities, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 7 September 2022" published by the Company on Cninfo on 8 September 2022
14 September 2022	Not Applicable	Telephone communication	Institution	XINHUANET, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 14 September 2022" published by the Company on Cninfo on 14 September 2022
20 September 2022	The office of the Company	Field research, telephone communication	Institution	Donghai Securities, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 20 September 2022" published by the Company on Cninfo on 20 September 2022
22 September 2022	Not Applicable	Telephone communication	Institution	Shanghai Hillview Fund Management Co., Ltd., etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart (1) of Investor Relations Activities on 23 September 2022" published by the Company on Cninfo on 23 September 2022

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XVI. HOSTING RESEARCHES, COMMUNICATIONS AND INTERVIEWS DURING THE REPORTING PERIOD *(continued)*

Date of reception	Place of reception	Method of reception	Type of guests	Name of guests	Main contents discussed and information provided	Index of basic information of research
22 September 2022	Not Applicable	Telephone communication	Institution and individuals	Fund managers, analysts and individual investors	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart (2) of Investor Relations Activities on 23 September 2022" published by the Company on Cninfo on 23 September 2022
27 October 2022	Not Applicable	Telephone communication	Institution	Guotai Junan, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 27 October 2022" published by the Company on Cninfo on 28 October 2022
1 November 2022	The office of the Company	Field research	Institution	Dacheng Fund, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 1 November 2022" published by the Company on Cninfo on 2 November 2022
9 November 2022	Not Applicable	Telephone communication	Institution	Oriental Hoyin, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 9 November 2022" published by the Company on Cninfo on 10 November 2022
14 November 2022	The office of the Company	Field research	Institution and individuals	Guosen Securities Shunde Branch, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 14 November 2022" published by the Company on Cninfo on 15 November 2022

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XVII. OTHER EVENTS

1. Reserves

Details of the amounts and movements of reserves of the Group during the Year are set out in “Consolidated Statement of Changes in Shareholders’ Equity” and “Note V. 38. Surplus reserve” to the financial statements in the Report.

2. Distributable reserves

As at 31 December 2022, the distributable reserves of the Company calculated in accordance with China Accounting Standards for Business Enterprises amounted to RMB4,035 million (31 December 2021: RMB3,988 million).

3. Fixed assets

Details of movements in fixed assets during the Year are set out in “Note V. 11. Fixed Assets” to the financial statements in the Report.

4. Connected/Related transactions

Details of connected/related transactions are set out in Section VI of the Report.

5. Management contracts

No contract concerning the management or administration of the whole or any substantial part of the operation of the Company was entered into or existed during the Year.

6. Review by Audit Committee

The financial results for the year ended 31 December 2022 have been reviewed by the Audit Committee of the Company. For the details of “KEY AUDIT MATTERS”, please refer to “AUDIT REPORT” in Section X of the Report.

7. Relationship with employees, customers and suppliers

The Group’s success is also attributable to the supports from employees, customers, suppliers and shareholders. (1) Employees: The Group highly values our employees and persists in the people-oriented philosophy. The Group has established an effective award mechanism and improved the training system, aiming to enhance the employees’ comprehensive ability to facilitate their career development and promotion within the Group, which in turn enhances the performance of the Company and achieves a win-win situation. (2) Customers: The Group is committed to provide quality products and professional services for customers with the ultimate goal of satisfying customers’ needs. The Group has maintained a good relationship and enhanced communication with customers through various manners in order to strengthen their recognition and enlarge market shares. (3) Suppliers: The Group continues to maintain good relationship and communication with suppliers. A win-win cooperation strategy has been established between the Group and the suppliers for enhancing supply chain management and avoiding quality incidents while reducing production costs so as to improve long-term profit growth. (4) Shareholders: The Group takes active measures in enhancing corporate value for shareholders and continuously strengthens investor relations management. The Group will make the most of overseas and domestic financing platforms to improve the Company’s capital and debt structures. Shareholders will be rewarded with stable dividend payouts after taking into account the capital adequacy and fulfilling business expansion needs.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XVII. OTHER EVENTS *(continued)*

8. Permitted indemnity provision

During the Year, the Company has taken out liability insurance coverage for its Directors, Supervisors and senior management against liabilities to third parties that may be incurred in the course of performing their duties.

9. Compliance with laws and regulations

As confirmed by the Group, during the Year, it has continuously complied with relevant laws and regulations that have material impact on the Company, and has maintained a good working relationship with regulatory authorities through efficient communication.

10. Environmental policies and performance

For details of the Group's environmental policies and performance during the Year, please refer to relevant contents in the paragraph headed "3. Safe production and environmental protection" under "II. SOCIAL RESPONSIBILITY" in Section V of the Report.

XVIII. REPURCHASE, SALE OR REDEMPTION OF SECURITIES

Repurchase of A Shares

On 25 October 2022, the Repurchase of Part of the Company' A Shares Scheme (the "Repurchase Scheme") had been considered and approved at the 2022 third extraordinary general meeting, the 2022 third class meeting of A Shareholders and the 2022 third class meeting of H Shareholders of the Company. In order to promote the stable development of the Company and effectively safeguard the interests of the Shareholders, the Company intends to use its own funds to repurchase part of its A Shares by means of centralized bidding, and all the repurchased shares will be cancelled to reduce the registered capital. According to the Repurchase Scheme, the repurchase price shall not exceed RMB40.00 per A Share. The aggregate amount of funds to be used by the Company for the repurchase shall not be less than RMB400 million (inclusive) and not more than RMB800 million (inclusive).

The implementation period of the Repurchase Scheme (the "Repurchase Period") was twelve months from 25 October 2022. During 2022, the Company made a total repurchase of 1,696,100 A Shares of the Company (the "Repurchased A Shares") by means of centralized bidding transactions pursuant to the Repurchase Scheme, accounting for 0.18% and 0.27% of the total issued share capital and the total issued A Shares of the Company as at the End of the Period, respectively. The highest purchase price was RMB35.50 per share, while the lowest purchase price was RMB32.25 per share. The aggregate amount of funds used for the repurchase was RMB55,925,653.00 (excluding the transaction costs). The monthly report on the repurchase of A Shares by the Company in 2022 is as follows:

Month	Number of repurchases (shares)	Maximum purchase price per share (RMB/share)	Minimum purchase price per share (RMB/share)	Total funds used (RMB, excluding transaction costs)
December 2022	1,696,100	35.50	32.25	55,925,653.00

As at the End of the Reporting Period, the cancellation of the Repurchased A Shares was not completed.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XVIII. REPURCHASE, SALE OR REDEMPTION OF SECURITIES *(continued)*

Repurchase of H Shares

The grant of general mandate to the Board to repurchase H Shares of the Company (the “Second H Share Repurchase Mandate”) was considered and approved by the Board of the Company on 15 April 2021 and by the 2020 annual general meeting, the 2021 first class meeting of A Shareholders and the 2021 first class meeting of H Shareholders of the Company on 20 May 2021, respectively. The maximum number of H Shares proposed to be repurchased shall not exceed 31,323,561 H Shares, representing 10% of the total number of issued and unrepurchased H Shares on the date when the resolution on the Second H Share Repurchase Mandate was approved, and other requirements are consistent with that of the First H Share Repurchase Mandate.

The Company made a total repurchase of 3,404,400 H Shares of the Company (the “Repurchased H Shares”) in 2021 under the Second H Share Repurchase Mandate, accounting for 0.36% of the total issued share capital and 1.09% of the total issued H Shares of the Company as at 9 May 2022. The highest purchase price was HKD27.00 per share, while the lowest purchase price was HKD24.70 per share. The aggregate amount of funds used for the repurchase was HKD87,004,410.00 (excluding the transaction costs). During 2022, the Company did not repurchase H Shares. The cancellation of the above Repurchased H Shares was completed on 10 May 2022.

Save as disclosed above, during the period from 1 January 2022 to 31 December 2022, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the listed securities of the Company.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIX. PROPOSED SPIN-OFF AND PROPOSED A SHARE LISTING OF LIVZON DIAGNOSTICS ON THE CHINEXT BOARD OF THE SHENZHEN STOCK EXCHANGE

Reference is hereby made to the announcements dated 9 August 2020 and 10 August 2020, 16 October 2020 and 17 October 2020, 23 October 2020 and 24 October 2020 and the circular dated 4 November 2020 (the "Circular") of the Company published on the Company's website, HKEXnews and Cninfo.

On 7 August 2020, in order to strengthen the overall dominant position of the Group in diagnostic reagents and equipment through the capital market, improve financing efficiency and leverage the advantages of the listing platform of subsidiary, the Board of the Company considered and approved the resolutions on the proposed spin-off and A share listing of Livzon Diagnostics. As at the same date, the Company held approximately 39.425% of the shares of Livzon Diagnostics, which is a controlling subsidiary of the Company.

On 16 October 2020, the Company was notified by the Hong Kong Stock Exchange that the Listing Committee had agreed that the Company may proceed with the proposed spin-off pursuant to Practice Note 15 under the Hong Kong Listing Rules, and had agreed to grant a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under paragraph 3(f) of Practice Note 15 under the Hong Kong Listing Rules in connection with the proposed spin-off and the proposed A share listing.

On 23 October 2020, the Board of the Company considered and approved the proposed spin-off of Livzon Diagnostics for listing on the ChiNext Board of the Shenzhen Stock Exchange. Subject to approvals by the Shareholders and the relevant PRC regulators, Livzon Diagnostics currently proposes to issue and list A shares on the ChiNext Board of the Shenzhen Stock Exchange by way of offline placing and online subscription by the public in the PRC market or other issuance methods as may be authorized by CSRC or the Shenzhen Stock Exchange. It is anticipated that the Company shall maintain not less than 29.57% of the total issued share capital of Livzon Diagnostics after completion of the proposed A share listing.

The new shares proposed to be issued by Livzon Diagnostics will result in a dilution of the Company's equity interest in Livzon Diagnostics, and if materialized, the proposed spin-off and the proposed A share listing will constitute a deemed disposal of the Company's equity interest in Livzon Diagnostics. According to the data available to the Company as at the Latest Practicable Date of the Circular, all of applicable percentage ratios in relation to the proposed spin-off and the proposed A share listing were less than 5%. Therefore, according to Chapter 14 of the Hong Kong Listing Rules, the proposed spin-off and the proposed A share listing does not constitute a notifiable transaction of the Company. However, the proposed spin-off is required to obtain approval by the general meeting of the Company in order to comply with the relevant PRC laws and regulations.

On 20 November 2020, the proposed spin-off was considered and approved at the 2020 fourth extraordinary general meeting of the Company. Livzon Diagnostics completed the filing for registration of tutoring at the Guangdong CSRC Bureau in November 2020. As at the disclosure date of the Report, Livzon Diagnostics has submitted a total of 9 progress report of tutoring. Save as disclosed herein, as at the disclosure date of the Report, Livzon Diagnostics has not submitted any other application or filing to the Shenzhen Stock Exchange and the relevant regulatory authorities of the PRC.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XX. NON-PUBLIC ISSUANCE OF A SHARES

To achieve the long-term strategic development goals of the Company that adhere to innovative R&D and improved product layout, and to supplement liquidity, repay bank loans and optimize the asset and liability structure as well as financial status of the Company, the plan of non-public issuance of A Shares of the Company (the "Issuance") was considered and approved at the 2015 third extraordinary general meeting of the Company held on 21 December 2015, while the adjustments to the number of issuance, pricing methods and issue price for the Issuance were considered and approved at the 2016 second extraordinary general meeting of the Company held on 25 April 2016.

The Issuance was completed as approved by the CSRC on 19 September 2016. The number of shares under the Issuance was 29,098,203 A Shares. The gross proceeds from the Issuance amounted to RMB1,457,819,970.30, and after deducting total issuance expenses of RMB37,519,603.53, the net proceeds were RMB1,420,300,366.77. On 20 September 2017, 37,827,664 restricted A Shares under the Issuance were issued and listed (after the 2016 profit distribution plan of the Company was completed, the number of restricted shares under the Issuance increased from 29,098,203 A Shares to 37,827,664 A Shares).

Historical events

On 24 March 2017, the Company convened the thirty-fifth meeting of the eighth session of the Board and, after full inspection of the progress of projects invested with the proceeds from the Issuance in 2016, considered and approved the adjustments to projects invested with the proceeds of which the difference between the originally planned use of proceeds and the actual use of proceeds exceeds 30%. Adjusted projects include the major investment plan of the "Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)" and the major investment plan of increased capital injections in Livzon MAB for the construction of "Project for research & development and industrialization of therapeutic antibody-based drugs (治療用抗體藥物研發與產業化建設項目)" (the "Adjustments"). The Adjustments were made by the Company on the basis of the actual progress of the projects invested with the proceeds. Adjustments were made only to the plans for use of proceeds in each of the subsequent years of the relevant projects invested with the proceeds and the industrialization investment construction period of projects invested with the proceeds, without changing the investment directions with the proceeds. The Adjustments were considered and approved at the 2016 annual general meeting of the Company on 23 June 2017.

On 2 August 2017, to enhance the efficient use of raised funds and ensure the normal implementation of projects, the Company convened the second meeting of the ninth session of the Board to consider and approve the proposed changes of and adjustments to the projects invested with proceeds from the Issuance (the "Changes and Adjustments") as follows: (i) proposal to make changes to "Increased capital injections in Livzon MAB for the construction of 'Project for research & development and industrialization of therapeutic antibody-based drugs' (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目)"; and (ii) proposal to make adjustments to the sub-project under the "Construction project for research & development platform for prolonged-action microsphere technologies (長效微球技術研發平台建設項目)". Upon completion of the Changes and Adjustments, the Company will use its own funds to invest in the "Construction project for research & development and industrialization of therapeutic antibody-based drugs (治療用抗體藥物研發與產業化建設項目)". The Changes and Adjustments were considered and approved at the 2017 first extraordinary general meeting of the Company on 19 September 2017.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XX. NON-PUBLIC ISSUANCE OF A SHARES *(continued)*

Historical events *(continued)*

On 23 March 2018, the Company convened the eleventh meeting of the ninth session of the Board to consider and approve the adjustment to the plans for the use of proceeds of projects invested with proceeds from the Issuance, including the plan for the use of proceeds of “Project for in-depth development and industrialization upgrade of innovative llaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)” and the plan for the use of proceeds of “Relocation and expansion project of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (first phase) (麗珠集團新北江製藥股份有限公司搬遷擴建項目(一期))”. The adjustments were made by the Company on the basis of the actual progress of the projects invested with the proceeds. The adjustments were made only to the plans for use of proceeds in each of the subsequent years of the projects invested with proceeds, without changing the investment directions with the proceeds. The adjustments were considered and approved at the 2017 annual general meeting of the Company on 21 May 2018.

On 17 August 2018, the Company convened the eighteenth meeting of the ninth session of the Board to consider and approve the “Proposal relating to reassessment and continuation of the project invested with the proceeds from non-public issuance (《關於重新論證並繼續實施非公開發行募集資金投資項目的議案》)” pursuant to which the “Relocation and expansion project of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (first phase) (麗珠集團新北江製藥股份有限公司搬遷擴建項目(一期))”, a project invested with the proceeds that was postponed for over one year, was reassessed and was determined to be continued after making adjustments to its construction period.

On 27 March 2019, the Company convened the twenty-fifth meeting of the ninth session of the Board to consider and approve the “Proposal on transferring assets relating to part of projects invested with the proceeds and change of sub-projects under projects invested with the proceeds (《關於轉讓涉及部分募集資金投資項目相關資產暨變更募集資金投資項目子項目的議案》)”. Pursuant to which, the Board agreed (i) to transfer to Shanghai Lizhu the ownership of the product and technologies of the sub-project “Leuprorelin Acetate Sustained Release Microspheres for Injection (3 months) (注射用醋酸亮丙瑞林緩釋微球(3個月))” (the “Project”) under the “Construction project for research & development platform for prolonged-action microsphere technologies (長效微球技術研發平台建設項目)”; (ii) the Company would subsequently no longer invest in the Project by using the proceeds from the Issuance; (iii) to adjust the total investment with the proceeds in the sub-project “Construction project for microsphere workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)” under the “Construction project for research & development platform for prolonged-action microsphere technologies (長效微球技術研發平台建設項目)” from RMB163.9333 million to RMB198.455 million. Such resolution was considered and approved at the 2018 annual general meeting of the Company on 30 May 2019.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XX. NON-PUBLIC ISSUANCE OF A SHARES *(continued)*

Historical events *(continued)*

On 25 March 2020, the Company convened the thirty-seventh meeting of the ninth session of the Board to consider and approve the “Resolution on Alteration to Certain Projects Invested with Proceeds and Adjustment to Investment Plan and Utilization of Part of Proceeds for Permanent Replenishment of Working Capital (《關於變更部分募集資金投資項目及調整投資計劃並將部分募集資金永久補充流動資金的議案》)”. Pursuant to which, the Board approved (i) alteration to the sub-projects under the “Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)” (the “Ilaprazole Project”) and adjustment to the investment plan; (ii) alteration of use of proceeds of the sub-projects “Ilaprazole Optical Isomer Preparation (艾普拉唑光學異構體製劑)” and “Ilaprazole Compound Preparation (艾普拉唑複方製劑)” under the Ilaprazole Project to permanent replenishment of working capital; (iii) alteration to the sub-projects of “Construction project for research & development platform for prolonged-action microsphere technologies (長效微球技術研發平台建設項目)” (the “Prolonged-action Microsphere Project”) and adjustment to the investment plan; (iv) inclusion of a new sub-project of “Construction of the chemical drug lyophilized powder injection workshop (化藥凍乾粉針車間建設)” under the Ilaprazole Project; and (v) inclusion of a new sub-project of “Construction of sustained-release implants workshop (緩釋植入劑車間建設)” under the Prolonged-action Microsphere Project. Such resolution was considered and approved at the 2019 annual general meeting of the Company on 25 May 2020.

On 25 August 2020, the Company convened the third meeting of the tenth session of the Board to consider and approve the Resolution on Alteration to the Implementing Entity for Certain Projects Invested with Proceeds and Increasing Capital to a Wholly-owned Subsidiary (《關於變更部分募集資金投資項目實施主體暨向全資子公司增資的議案》) and agreed to (i) alter the implementing entity of the Prolonged-action Microsphere Project from the Company and Pharmaceutical Factory, a wholly-owned subsidiary of the Company, to the Company and Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司) (“Microsphere Technology”, a wholly-owned subsidiary of the Company). After the change, the sub-projects of “Construction project for microsphere workshop” and “Construction of implants workshop” will be implemented by Microsphere Technology; (ii) inject capital increase of RMB208.79211 million in cash to Microsphere Technology by the Company with its own funds and inject capital increase of RMB139.19474 million to Microsphere Technology by Pharmaceutical Factory in the form of its own production assets related to microsphere preparations (including fixed assets formed by using the proceeds) which have been evaluated by a qualified evaluation agency, resulting in a total of capital increase of RMB347.98685 million to Microsphere Technology by these two parties. After completion of such capital increase, the registered capital of Microsphere Technology will be RMB353.48685 million; and (iii) adjust the organizational structure, platform cooperation and staffing of business of the prolonged-action sustained-release microsphere preparation. Such alteration did not result in a substantive change in the total investment, implementation location and construction content of the Prolonged-action Microsphere Project. The total investment is still RMB411.4133 million. The Prolonged-action Microsphere Project will be jointly implemented by the Company and Microsphere Technology.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XX. NON-PUBLIC ISSUANCE OF A SHARES *(continued)*

Historical events *(continued)*

On 16 November 2020, the Company convened the fifth meeting of the tenth session of the Board to consider and approve the Resolution on Adjustment to the Implementation Site and Investment Plan of a Sub-project under Certain Project Invested with Proceeds (《關於調整部分募集資金投資項目子項目實施地點及投資計劃的議案》), and agreed to adjust the implementation site and investment plan of “Construction of the chemical drug lyophilized power injection workshop (化藥凍乾粉針車間建設)” (the “Sub-project”), a sub-project under the Ilaprazole Project. The construction period shall remain two years, and the implementation bodies shall remain unchanged. The production equipment originally purchased with the proceeds will continue to remain in the original construction site for use by other projects of the Company. To ensure the use of proceeds for designated purpose, the Company will apply its own funds in replacement of the proceeds of RMB7.4793 million used for cleaning and decorating the workshop and purchasing equipment. After the adjustment, the total investment in the Ilaprazole Project will remain to be RMB295.6272 million, and the investment amount in the Sub-project will remain to be RMB102.60 million. The resolution has been considered and approved at the 2020 fifth extraordinary general meeting of the Company held on 11 December 2020.

On 22 March 2021, in view of the fact that the investment progress of the proceeds from the “Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)” (the “Project”) in 2020 did not meet expectations, the Company convened the fourteenth meeting of the tenth session of the Board to consider and approve the Resolution on Adjustment to the Investment Plan of Certain Project Invested with Proceeds (《關於調整部分募集資金投資項目投資計劃的議案》), which intended to adjust the investment plan of the Project. The adjustments were made only to the plans for use of proceeds in each of the subsequent years of the Project, without changing the investment directions with the proceeds. The resolution has been considered and approved at the 2020 annual general meeting of the Company held on 20 May 2021.

During the Reporting Period, the Company did not make any adjustment to the investment plan of proceeds.

XXI. SHARE OPTIONS INCENTIVE SCHEMES

1. The 2018 Share Options Incentive Scheme

On 17 July 2018, the Company convened the sixteenth meeting of the ninth session of the Board to consider and approve the “2018 Share Options Incentive Scheme of the Company (Draft) (《2018年股票期權激勵計劃(草案)》)” and its summary (the “2018 Share Options Incentive Scheme”) pursuant to which it was proposed to grant to incentive participants 19,500,000 share options which involved a total of 19,500,000 ordinary A Shares. In particular, there would be 17,550,000 shares options under the first grant (the “First Grant”), representing 90.00% of the total number under the 2018 Share Options Incentive Scheme, and 1,950,000 shares options under the reserved grant (the “Reserved Grant”), representing 10.00% of the total number under the 2018 Share Options Incentive Scheme.

Pursuant to Chapter 17 of the Hong Kong Listing Rules, the 2018 Share Options Incentive Scheme constitutes a share scheme. On 26 July 2018, the Company was exempted from strict compliance with Note (1) to Rule 17.03(9) of the Hong Kong Listing Rules with respect to the exercise price of share options that may be granted under the 2018 Share Options Incentive Scheme.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2018 Share Options Incentive Scheme *(continued)*

Purpose of the scheme

The 2018 Share Options Incentive Scheme has been formulated to further establish and improve the Company's long-term incentive mechanism, attract and retain outstanding talents, maximize the motivation of Directors, senior management, mid-level management and relevant core personnel of the Company and effectively align Shareholders' interests, the Company's interests and individual interests of the core team members so that the parties would make joint efforts for the Company's long-term development.

The incentive participants include Directors (excluding independent Directors) and employees of the Company only. The 2018 Share Options Incentive Scheme also prescribes the vesting period of the share options and performance targets which must be achieved before the share options can be exercised. The exercise price of the share options is also specified in the 2018 Share Options Incentive Scheme. The aforesaid criteria and rules help serve the purpose of the 2018 Share Options Incentive Scheme and to motivate the incentive participants to remain employed with the Group during the vesting period, which allows the Group to benefit from their continued services, and use their best endeavours to meet the performance targets, which contributes to the growth and development of the Company. Moreover, the 2018 Share Options Incentive Scheme also specifies a claw-back mechanism under different circumstances, which may, as applicable, involve cancellation of the outstanding share options and recovery of gains received by the incentive participants, which serves to align the interests of the Company and the incentive participants.

Incentive participants

The incentive participants for the 2018 Share Options Incentive Scheme include Directors, senior management, mid-level management and relevant core personnel of the Company. The incentive participants shall exclude independent Directors, Supervisors and Shareholders individually or in aggregate holding 5% or more of the shares of the Company or the de facto controllers and their spouses, parents or children.

The total number of shares issuable

On 11 September 2018, the Company convened the nineteenth meeting of the ninth session of the Board to consider and approve: the adjustment to the list of incentive participants and number of share options under the First Grant of the 2018 Share Options Incentive Scheme: the adjustment to the number of incentive participants under the First Grant from 1,116 to 1,050 and the adjustment to the number of share options under the First Grant from 17,550,000 to 17,475,500. The number of share options under the Reserved Grant was 2,000,000. The total numbers of shares issuable under the First Grant and the Reserved Grant represent 1.87% and 0.21% of the total issued share capital as at the disclosure date of the Report, respectively, and in aggregate, 2.08% of the total issued share capital as at the disclosure date of the Report.

Maximum entitlement

None of the incentive participants will be granted share options which, if exercised in full, would result in the total number of A Shares issued and to be issued in respect of all options or awards granted to such incentive participants (excluding any options and awards lapsed) under the 2018 Share Options Incentive Scheme, any other share option scheme(s) or share award scheme(s) of the Company in the 12-month period up to and including the date of such grant exceeding 1% of A Shares in issue as at the date of such grant. The total number of A Shares which may be issued in respect of all options or awards to be granted under the 2018 Share Options Incentive Scheme, any other share option scheme(s) or share award scheme(s) of the Company must not, in aggregate, exceed 10% of A Shares in issue as at the date of approval of the 2018 Share Options Incentive Scheme by the Shareholders.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2018 Share Options Incentive Scheme *(continued)*

Validity period of the scheme

The validity period of the 2018 Share Options Incentive Scheme shall not be longer than 60 months commencing on the registration date of the share options granted and ending on the date on which all the share options granted to the incentive participants have been exercised or otherwise cancelled.

Vesting period, exercise period and exercise date

The vesting period (namely vesting period) of the share options to be granted under the 2018 Share Options Incentive Scheme is 12 months from the registration date of grant. The incentive participants shall exercise their share options granted under the First Grant by three tranches within the next 36 months following the expiry of the vesting period. The incentive participants shall exercise their share options granted under the Reserved Grant by two tranches within the next 24 months following the expiry of the vesting period.

The following table sets forth the exercise period under the First Grant and the exercise schedule for each tranche:

Exercise arrangement	Exercise period	Exercise proportion
First exercise period for share options under the First Grant	Commencing on the first trading day after expiry of the 12-month period from the registration completion date of the First Grant and ending on the last trading day of the 24-month period from the registration completion date of the First Grant	40%
Second exercise period for share options under the First Grant	Commencing on the first trading day after expiry of the 24-month period from the registration completion date of the First Grant and ending on the last trading day of the 36-month period from the registration completion date of the First Grant	30%
Third exercise period for share options under the First Grant	Commencing on the first trading day after expiry of the 36-month period from the registration completion date of the First Grant and ending on the last trading day of the 48-month period from the registration completion date of the First Grant	30%

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2018 Share Options Incentive Scheme *(continued)*

The following table sets forth the exercise period for the Reserved Grant and the exercise schedule for each tranche:

Exercise arrangement	Exercise period	Exercise proportion
First exercise period for share options under the Reserved Grant	Commencing on the first trading day after expiry of the 12-month period from the registration completion date of the Reserved Grant and ending on the last trading day of the 24-month period from the registration completion date of the Reserved Grant	50%
Second exercise period for share options under the Reserved Grant	Commencing on the first trading day after expiry of the 24-month period from the registration completion date of the Reserved Grant and ending on the last trading day of the 36-month period from the registration completion date of the Reserved Grant	50%

Basis for determining exercise price

The exercise price of the share options under the First Grant shall not be lower than the par value of the A Shares, and shall be the higher of the following:

- (1) the average price of the A Shares of the Company for the last trading day preceding the date of announcement of the 2018 Share Options Incentive Scheme (i.e. 17 July 2018) (the total transaction value of the A Shares for the last trading day/the total trading volume of the A Shares for the last trading day), being RMB47.01 per share;
- (2) the average price of the A Shares of the Company for the last 20 trading days preceding the date of announcement of the 2018 Share Options Incentive Scheme (the total transaction value of the A Shares for the last 20 trading days/the total trading volume of the A Shares for the last 20 trading days), being RMB45.54 per share.

The exercise price of the share options under the Reserved Grant shall not be lower than the par value of the A Shares, and shall be the higher of the following:

- (1) the average trading price of the A Shares of the Company for the last trading day preceding the date of announcement of the Board resolution on the grant of share options under the Reserved Grant (i.e. 28 August 2019) (the total transaction value of the A Shares for the last trading day/the total trading volume of the A Shares for the last trading day), being RMB28.87 per share;
- (2) the average price of the A Shares of the Company for the last 20 trading days preceding the date of announcement of the Board resolution on the grant of the share options under the Reserved Grant (the total transaction value of the A Shares for the last 20 trading days/the total trading volume of the A Shares for the last 20 trading days), being RMB27.44 per share.

Incentive participants are not required to pay any amount for accepting the share options granted.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES (continued)

1. The 2018 Share Options Incentive Scheme (continued)

Performance target and individual performance assessment

(1) Performance targets at the Company level

The share options granted under the 2018 Share Options Incentive Scheme, during the three accounting years in the exercise period, are subject to annual assessment for exercise, such that achieving of the performance targets by the incentive participants is a condition to exercise the share options.

The performance targets of the First Grant are as follows:

Exercise period	Performance target
First exercise period for share options under the First Grant	On the basis of net profit in 2017, the compound growth rate of the net profit for 2018 shall not be lower than 15%;
Second exercise period for share options under the First Grant	On the basis of net profit in 2017, the compound growth rate of the net profit for 2019 shall not be lower than 15%;
Third exercise period for share options under the First Grant	On the basis of net profit in 2017, the compound growth rate of the net profit for 2020 shall not be lower than 15%.

If the Reserved Grant is completed in 2018, the performance targets of the Reserved Grant shall be the same as that of the First Grant; if the Reserved Grant is completed in 2019, the following table sets forth the performance targets for each year of the Reserved Grant:

Exercise period	Performance target
First exercise period for share options under the Reserved Grant	On the basis of net profit in 2017, the compound growth rate of the net profit for 2019 shall not be lower than 15%;
Second exercise period for share options under the Reserved Grant	On the basis of net profit in 2017, the compound growth rate of the net profit for 2020 shall not be lower than 15%.

The above indicators of "net profit" and "compound growth rate of the net profit" are calculated on the basis of the net profit attributable to the shareholders of the Company after deducting the extraordinary gains or losses and the net profit as affected by the share-based payment expenses of the 2018 Share Options Incentive Scheme is excluded as the basis for calculation.

In the event the Company fails to meet the performance targets above, all share options which are exercisable by a relevant incentive participant in the respective assessment year shall not be exercised and shall be cancelled by the Company.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2018 Share Options Incentive Scheme *(continued)*

Performance target and individual performance assessment *(continued)*

(2) Performance targets at individual level

The assessment of the incentive participants at individual level shall be conducted according to the Company's current requirements for remuneration and assessment, and the comprehensive appraisal results of the incentive participants for each assessment year shall be graded as follows:

Appraisal results	Excellent	Good	Qualified	Failed
Exercise percentage	100%		80%	0%

If the performance target at the Company level for the respective year is met, the actual personal exercise amount of an incentive participant for the year = exercise percentage × the scheduled personal exercise amount of the incentive participant for the respective year. The share options granted to the incentive participants which cannot be exercised in the respective year shall be cancelled by the Company.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2018 Share Options Incentive Scheme *(continued)*

Fair value and accounting policies of the share options

- (1) Fair value
- (i) First Grant

The Company selected the Black-Scholes Model to calculate the fair value of share option under the First Grant, the specific calculating methods and results of fair value of each share option are as follows:

Parameters	Explanation for parameters
Price of subject share	RMB36.67 per share (the price on the date of grant)
Exercise price	RMB47.01 per share option
Validity period of share options	The three validity periods of share options are 1 year, 2 years and 3 years, respectively
Risk-free interest rate	Risk-free interest rates of the three exercise periods of share options are 1.50%, 2.10% and 2.75%, respectively (listed based on one-year, two-year, three-year fixed deposit rate, respectively)
Volatility of underlying share	The volatility of the three exercise periods of share options are 19.85%, 17.40% and 24.84%, respectively (listed based on the historic volatility rate of the SZSE Composite Index in the latest one year, two years and three years, respectively)
Dividend yield of underlying share	The dividend yields for the three exercise periods of share options are 3.0670%, 1.9084% and 1.6662%, respectively (listed based on the average of the dividend rate of the Company for the latest one year, two years and three years, respectively)

Note 1: The expected dividend is calculated according to the historical dividend distributions of the Company.

Note 2: Risk-free interest rates are chosen on the basis of the interest rate of time deposits in the corresponding exercise period of share options.

Note 3: The calculation results of the value of the share options are subject to a number of assumptions of the parameters used in the section and the limitation of the valuation model adopted and therefore, the estimated value of the share options may be subjective and uncertain.

The aforesaid parameters are substituted into the Black-Scholes model to calculate the fair value of each share option. The costs of the corresponding period are calculated by assumptions: exercise amount of each tranche = total amount granted × exercise percentage of the period (exercise in tranches with the exercise percentage of 40%, 30% and 30%).

	Tranche 1	Tranche 2	Tranche 3
Fair value of the share options (RMB/share option)	0.34	0.82	3.26
Exercise amount (0'000 share options)	699.02	524.27	524.27
Total cost for the period (RMB0'000)	237.67	429.90	1,709.10
Total cost (RMB0'000)		2,376.67	

According to the aforesaid calculation, on 11 September 2018, the date of grant, the Group granted 17,475,500 share options to the incentive participants under the First Grant with the total fair value of RMB23.7667 million which will be recognized in phrases during the implementation process of the 2018 Share Options Incentive Scheme as the incentive cost incurred thereunder.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2018 Share Options Incentive Scheme *(continued)*

Fair value and accounting policies of the share options *(continued)*

(1) Fair value *(continued)*

(ii) Reserved Grant

The Company selected the Black-Scholes Model to calculate the fair value of the share options under the Reserved Grant, with specific calculating methods for fair value of each share option and the results are as follows:

Parameter	Explanation for parameters
Price of subject share	RMB28.72 per share (the price on the date of grant)
Exercise price	RMB28.87 per share option
Validity period of share options	The validity periods for the two exercise periods are 1 year and 2 years, respectively
Risk-free interest rate	Risk-free interest rates for the two exercise periods are 1.50% and 2.10%, respectively (based on interest rates for one-year and two-year fixed deposits)
Volatility of underlying share	The volatility rates for the two exercise periods are 25.90% and 22.99%, respectively (based on the historical volatility rate of the SZSE Composite Index in the latest one year and two years, respectively)
Dividend yield from underlying share	The dividend yields for the two exercise periods are 3.4642% and 3.2656%, respectively (based on the average dividend rate of the Company in the latest one year and two years, respectively)

Note 1: The expected dividend is calculated according to the historical dividend distributions of the Company.

Note 2: The risk-free interest rate is based on the interest rate of time deposits in the corresponding exercise period of share options.

Note 3: The calculation results of the value of the share options are subject to a number of assumptions of the parameters used in this section and the limitation of the valuation model adopted, therefore the estimated value of the share options may be subjective and uncertain.

The aforesaid parameters are substituted into the Black-Scholes Model to calculate the fair value of each share option. The costs for the corresponding period are calculated based on the assumptions: exercise amount of each tranche = total amount granted × exercise percentage of the period (exercise in tranches with the exercise percentage of 50% and 50%).

	Tranche 1	Tranche 2
Fair value of the share options (RMB/share option)	2.5585	3.1490
Exercise amount (0'000 share options)	126.225	126.225
Total cost for the period (RMB0'000)	322.95	397.48
Total cost (RMB0'000)	720.43	

According to the aforesaid calculation, on 28 August 2019, the date of grant, the Group granted 2,524,500 share options to the incentive participants under the Reserved Grant with the total fair value of RMB7.2043 million which would be recognized by phrases during the implementation process of the 2018 Share Options Incentive Scheme as the incentive cost incurred thereunder.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2018 Share Options Incentive Scheme *(continued)*

Fair value and accounting policies of the share options *(continued)*

(2) Accounting policies

Pursuant to the relevant requirements of “Enterprise Accounting Standard No. 11 – Share-based Payments”, the Company will update the expected amount of share options exercisable on each balance sheet date during the vesting period based on latest available subsequent information such as the change in the number of incentive participants who are entitled to exercise and the completion status of performance targets. Services received during the period will be accounted in relevant costs or fees and capital reserves based on the fair value of the share options on the date of grant.

Revision of the scheme

On 17 August 2018, the Company convened the eighteenth meeting of the ninth session of the Board to consider and approve, pursuant to the communication between the Company and the Hong Kong Stock Exchange, the amendment to the terms of the 2018 Share Options Incentive Scheme (the contents of amendment: there shall be no adjustment to the exercise price of the share options in the event of declaration of dividend, apart from this, the rest of the 2018 Share Options Incentive Scheme shall remain unchanged), and approved the 2018 Share Options Incentive Scheme (Revised Draft) and its summary (the “2018 Share Options Incentive Scheme (Revised)”).

On 5 September 2018, the 2018 Share Options Incentive Scheme (Revised) was considered and approved at the 2018 third extraordinary general meeting, the 2018 third class meeting of A Shareholders and the 2018 third class meeting of H Shareholders.

First Grant

- (1) On 11 September 2018, the Company convened the nineteenth meeting of the ninth session of the Board to consider and approve:
 - (i) the adjustment to the list of incentive participants and the number of share options under the First Grant of the 2018 Share Options Incentive Scheme (Revised): the adjustment to the number of incentive participants under the First Grant from 1,116 to 1,050 and the adjustment to the number of share options under the First Grant from 17,550,000 to 17,475,500. Incentive participants under the First Grant included the Directors and the President of the Company and their close associates;
 - (ii) with 11 September 2018 as the date of the First Grant, granting 17,475,500 share options to 1,050 incentive participants (incentive participants were not required to pay any consideration to the Company when accepting the share options) with the exercise price of RMB47.01 per A Share. Registration of the First Grant was completed on 28 September 2018. The abbreviation of the share options: Livzon JLC1. The code of the share options: 037067.
- (2) On 28 August 2019, the Company convened the thirty-first meeting of the ninth session of the Board, which considered and approved the adjustment to the exercise price of share options under the First Grant from RMB47.01 per A Share to RMB36.16 per A Share and the adjustment to the number of share options granted under the First Grant from 17.4755 million to 22.71815 million, given that the Company had completed the issuance of 3 bonus shares for every 10 shares to shareholders by conversion of capital reserves into share capital on 26 July 2019.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2018 Share Options Incentive Scheme *(continued)*

First Grant *(continued)*

- (3) On 18 September 2019, the Company convened the thirty-second meeting of the ninth session of the Board to consider and approve:
 - (i) the cancellation of 254,995 share options held by 17 incentive participants which have been granted but not yet exercised (the cancellation was completed on 16 October 2019, and the exercise price of the cancelled share options was RMB36.16 per A Share), since such 17 incentive participants under the First Grant have resigned due to personal reasons and thus did not meet the incentive criteria. After the cancellation, the number of incentive participants under the First Grant was adjusted from 1,050 to 1,033, and the number of share options under the First Grant was adjusted from 22,718,150 to 22,463,155;
 - (ii) that the 1,033 incentive participants who have met the exercise conditions may exercise 8,985,262 share options in the first exercise period at an exercise price of RMB36.16 per A Share, given that the exercise conditions for the first exercise period under the First Grant have been fulfilled.
- (4) On 20 November 2019, after examination by Shenzhen Stock Exchange and CSDCC, the first exercise period of share options granted under the First Grant took effect from 22 November 2019 to 27 September 2020. The incentive participants must exercise during the exercise period, and the granted but outstanding share options shall not be exercised after the expiry of the exercise period. The exercisable share options shall be exercised by incentive participants on voluntary basis.
- (5) On 23 October 2020, the Company convened the fourth meeting of the tenth session of the Board to consider and approve:
 - (i) since the first exercise period under the First Grant has expired on 27 September 2020, as at the expiry date, there were a total of 162,912 share options held by 55 incentive participants have not been exercised in the first exercise period under the First Grant, that the said 162,912 share options should be cancelled; since 129 incentive participants under the First Grant no longer satisfied the incentive conditions due to resignation on personal reasons, that the 1,535,765 share options held by the said 129 incentive participants which were granted but no longer satisfied the exercise conditions should be cancelled (the aforesaid cancellation was completed on 2 November 2020, the exercise price of such cancelled shares options was RMB36.16 per A Share). After the cancellation, the number of share options under the First Grant was adjusted from 22,463,155 to 20,764,478, and the number of incentive participants under the First Grant was adjusted from 1,033 to 904;
 - (ii) that 904 incentive participants who have met the exercise conditions may exercise 5,970,557 share options in the second exercise period at the exercise price of RMB36.16 per A Share, given that the exercise conditions for the second exercise period of the First Grant have been fulfilled.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2018 Share Options Incentive Scheme *(continued)*

First Grant *(continued)*

- (6) On 9 November 2020, after examination by Shenzhen Stock Exchange and CSDCC, the exercise period of share options of the second exercise period under the First Grant was from 11 November 2020 to 27 September 2021. The incentive participants must exercise during the exercise period, the granted but outstanding share options shall not be exercised after the expiry of the exercise period. The exercisable share options shall be exercised by incentive participants on voluntary basis.
- (7) On 10 November 2021, the Company convened the twenty-fifth meeting of the tenth session of the Board to consider and approve:
 - (i) since the second exercise period under the First Grant has expired on 27 September 2021, as at the expiry date, there were a total of 323,274 share options held by 77 incentive participants have not been exercised in the second exercise period under the First Grant, that the said 323,274 share options should be cancelled; since 107 incentive participants under the First Grant no longer satisfied the incentive conditions due to resignation on personal reasons, that the 673,422 share options held by the said 107 incentive participants which were granted but no longer satisfied the exercise conditions should be cancelled (the aforesaid cancellation was completed on 19 November 2021, the exercise price of such cancelled shares options was RMB36.16 per A Share). After the cancellation, the number of share options under the First Grant was adjusted from 20,764,478 to 19,767,782, and the number of incentive participants under the First Grant was adjusted from 904 to 797;
 - (ii) that 797 incentive participants who have met the exercise conditions may exercise 5,297,236 share options in the third exercise period at the exercise price of RMB36.16 per A Share, given that the exercise conditions for the third exercise period of the First Grant have been fulfilled.
- (8) On 26 November 2021, after examination by Shenzhen Stock Exchange and CSDCC, the exercise period of share options of the third exercise period under the First Grant was from 30 November 2021 to 27 September 2022. The incentive participants must exercise during the exercise period, the granted but outstanding share options shall not be exercised after the expiry of the exercise period. The exercisable share options shall be exercised by incentive participants on voluntary basis.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES (continued)

1. The 2018 Share Options Incentive Scheme (continued)

First Grant (continued)

Details of the allocation and exercise of the First Grant are set out in the table below:

Incentive participant	Position	Number of share options that can be granted at the Beginning of the Reporting Period (0'000 share options) ⁽¹⁾	Number of share options held as at 1 January 2022 (0'000 share options) ⁽²⁾	Number of share options granted during the Year (0'000 share options) ⁽²⁾	Number of share options exercised during the Year (0'000 share options)	Number of share options cancelled during the Year (0'000 share options)	Number of share options lapsed during the Year (0'000 share options)	Number of share options held as at 31 December 2022 (0'000 share options)	Number of share options that can be granted at the End of the Reporting Period (0'000 share options)
Mr. Tang Yanggang	Executive Director and President	-	6,0840	-	-	-	6,0840	-	-
Mr. Tao Desheng	Vice Chairman and Non-Executive Director	-	7,6050	-	-	-	7,6050	-	-
Mr. Xu Guoxiang	Vice Chairman, Executive Director and Vice President	-	7,6050	-	-	-	7,6050	-	-
Mr. Yang Daihong	Vice President	-	6,0840	-	-	-	6,0840	-	-
Ms. Si Yanxia	Vice President and Chief Financial Officer	-	6,0840	-	-	-	6,0840	-	-
Mr. Zhou Peng	Vice President	-	4,0560	-	-	-	4,0560	-	-
Ms. Huang Yuxuan	Vice President	-	3,5490	-	-	-	3,5490	-	-
Mr. Xu Peng	Vice President	-	3,0420	-	-	-	3,0420	-	-
Mr. Yang Liang	Vice President, Secretary to the Board and Company Secretary	-	3,5490	-	-	-	3,5490	-	-
Ms. Hou Xuemei ⁽³⁾	Mid-level management	-	3,0420	-	-	-	3,0420	-	-
Mid-level management and relevant core personnel of the Company (1,023 persons)		-	466,1509	-	30,9688	-	435,1821	-	-

Notes: (1) The registration of the First Grant of the 2018 Share Options Incentive Scheme was completed on 28 September 2018. Therefore, at the Beginning of the Reporting Period, the total number of share options that can be granted under the First Grant was 0.

(2) The grant date of the aforesaid share options is 11 September 2018, and the exercise price is RMB47.01 per A Share (the exercise price was adjusted to RMB36.16 per A Share on 28 August 2019). For details of the vesting period (namely vesting period) and exercise period, please refer to the relevant contents of "Vesting period, exercise period and exercise date" and "Performance target and individual performance assessment" as set out above. The total fair value of the aforesaid share options as at the date of grant (11 September 2018) was RMB23.7667 million. For details of the fair value and accounting policies of such share options, please refer to the relevant contents of "Fair value and accounting policies of the share options" as set out above.

(3) Ms. Hou Xuemei is the spouse of Mr. Tao Desheng, a Director of the Company, and is the close associate of Mr. Tao Desheng under the Hong Kong Listing Rules.

(4) On 10 September 2018 (one day before the grant date), the closing price of the A Shares of the Company was RMB36.66 per share.

(5) During the Year, the weighted average closing price of the A Shares of the Company for all incentive participants under the First Grant in aggregate immediately preceding the exercise date was RMB36.86 per share.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2018 Share Options Incentive Scheme *(continued)*

Reserved Grant

- (1) On 28 August 2019, the Company convened the thirty-first meeting of the ninth session of the Board to consider and approve:
 - (i) the adjustment of the number of share options under the Reserved Grant from 1.95 million to 2.535 million, given that the Company has completed the issuance of 3 bonus shares for every 10 shares to shareholders by way of conversion of capital reserves into share capital on 26 July 2019;
 - (ii) with 28 August 2019 as the grant date of the Reserved Grant, granting 145 incentive participants a total of 2.535 million share options (incentive participants are not required to pay any consideration to the Company when accepting the share options) with the exercise price of RMB28.87 per A Share.
- (2) On 18 September 2019, the Company convened the thirty-second meeting of the ninth session of the Board to consider and approve the adjustment to the list of incentive participants under the Reserved Grant. The number of incentive participants under the Reserved Grant was adjusted from 145 to 170, with the total number of share options under the Reserved Grant remained unchanged, and a total of 2.535 million share options were granted to 170 incentive participants;
- (3) On 28 October 2019, registration of the Reserved Grant was completed. The abbreviation of the share option: Livzon JLC2. The code of the share option: 037083. During the registration process of share options, one incentive participant no longer has the incentive qualification due to resignation, and two incentive participants voluntarily gave up the share options to be granted by the Company due to personal reasons. Therefore, the actual number of incentive participants under the Reserved Grant was adjusted from 170 to 167, and the actual number of share options under the Reserved Grant was adjusted from 2.535 million to 2.5245 million.
- (4) On 23 October 2020, the Company convened the fourth meeting of the tenth session of the Board to consider and approve:
 - (i) since 10 incentive participants under the Reserved Grant no longer satisfied the incentive conditions due to resignation on personal reasons, that the 309,900 share options held by the said 10 incentive participants which were granted but no longer satisfied the exercise conditions should be cancelled (the aforesaid cancellation was completed on 2 November 2020, the exercise price of such cancelled shares options was RMB28.87 per A Share). After the cancellation, the number of share options under the Reserved Grant was adjusted from 2,524,500 share options to 2,214,600 share options, and the number of incentive participants under the Reserved Grant was adjusted from 167 to 157.
 - (ii) that 157 incentive participants who have met the exercise conditions may exercise 1,107,300 share options in the first exercise period at the exercise price of RMB28.87 per A Share, given that the exercise conditions for the first exercise period of the Reserved Grant have been fulfilled.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2018 Share Options Incentive Scheme *(continued)*

Reserved Grant *(continued)*

- (5) On 9 November 2020, after examination by the Shenzhen Stock Exchange and CSDCC, the exercise period of the share options of the first exercise period under the Reserved Grant was from 12 November 2020 to 27 October 2021. The incentive participants must exercise during the exercise period, the granted but outstanding share options shall not be exercised after the expiry of the exercise period. The exercisable share options shall be exercised by incentive participants on voluntary basis.
- (6) On 10 November 2021, the Company convened the twenty-fifth meeting of the tenth session of the Board to consider and approve:
- (i) since the first exercise period under the Reserved Grant has expired on 27 October 2021, as at the expiry date, there were a total of 31,150 share options held by 7 incentive participants have not been exercised in the first exercise period under the Reserved Grant, that the said 31,150 share options should be cancelled; since 18 incentive participants under the Reserved Grant no longer satisfied the incentive conditions due to resignation on personal reasons, that the 129,400 share options held by the said 18 incentive participants which were granted but no longer satisfied the exercise conditions should be cancelled (the aforesaid cancellation was completed on 19 November 2021, the exercise price of such cancelled shares options was RMB28.87 per A Share). After the cancellation, the number of share options under the Reserved Grant was adjusted from 2,214,600 to 2,054,050, and the number of incentive participants under the Reserved Grant was adjusted from 157 to 139;
- (ii) that 139 incentive participants who have met the exercise conditions may exercise 977,900 share options in the second exercise period at the exercise price of RMB28.87 per A Share, given that the exercise conditions for the second exercise period of the Reserved Grant have been fulfilled.
- (7) On 26 November 2021, after examination by Shenzhen Stock Exchange and CSDCC, the exercise period of share options of the second exercise period under the Reserved Grant was from 30 November 2021 to 27 October 2022. The incentive participants must exercise during the exercise period, the granted but outstanding share options shall not be exercised after the expiry of the exercise period. The exercisable share options shall be exercised by incentive participants on voluntary basis.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2018 Share Options Incentive Scheme *(continued)*

Reserved Grant *(continued)*

Details of the allocation and exercise of the Reserved Grant are set out in the table below:

Incentive participant	Number of share options that can be granted at the Beginning of the Reporting Period	Number of share options held as at 1 January 2022	Number of share options granted during the Year	Number of share options exercised during the Year	Number of share options cancelled during the Year	Number of share options lapsed during the Year	Number of share options held as at 31 December 2022	Number of share options that can be granted at the End of the Reporting Period
	(0'000 share options)	(0'000 share options) ⁽¹⁾⁽²⁾	(0'000 share options)	(0'000 share options)	(0'000 share options)	(0'000 share options)	(0'000 share options)	(0'000 share options)
Mid-level management and core personnel of the Company (157 persons)	-	82,7556	-	78,2278	-	4,5278	-	-

- Notes:*
- (1) The registration of the Reserved Grant of the 2018 Share Options Incentive Scheme was completed on 28 October 2019. Therefore, at the Beginning of the Reporting Period, the total number of share options that can be granted under the Reserved Grant was 0.
 - (2) The grant date of the aforesaid share options was 28 August 2019, and the exercise price was RMB28.87 per share. For details of the vesting period (namely vesting period) and exercise period, please refer to the relevant contents in "Vesting period, exercise period and exercise date" and "Performance target and individual performance assessment" as set out above. The total fair value of the aforesaid share options as at the date of grant (28 August 2019) was RMB7.2343 million. For details of the fair value and accounting policies of such share options, please refer to the relevant contents of "Fair value and accounting policies of the share options" as set out above.
 - (3) On 27 August 2019 (one day before the grant date), the closing price of A Shares of the Company was RMB29.39 per share.
 - (4) During the Reporting Period, the weighted average closing price of the A Shares of the Company for all incentive participants under the Reserved Grant in aggregate immediately preceding the exercise date was RMB34.89 per share.

The exercise period of the First Grant and the Reserved Grant expired on 27 September 2022 and 27 October 2022, respectively. Therefore, as at the End of the Year, the total number of ordinary A Shares of the Company that might be issued under the 2018 Share Options Incentive Scheme (Revised) was 0 share, all the outstanding share options were lapsed. Such options were also cancelled on 7 March 2023. As at the disclosure date of the Report, the 2018 Share Options Incentive Scheme has been terminated.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

2. The 2022 Share Options Incentive Scheme

On 29 August 2022, the Company convened the 34th meeting of the tenth session of the Board to consider and approve the “2022 Share Options Incentive Scheme of the Company (Draft) (《2022 年股票期權激勵計劃(草案)》)” and its summary (the “2022 Share Options Incentive Scheme”), pursuant to which, it was proposed to grant to incentive participants 20,000,000 share options which involved a total of 20,000,000 ordinary A Shares. In particular, there would be 18,000,000 shares options under the first grant (the “First Grant”), representing 90.00% of the total number under the 2022 Share Options Incentive Scheme, and 2,000,000 shares options under the reserved grant (the “Reserved Grant”), representing 10.00% of the total number under the 2022 Share Options Incentive Scheme.

Pursuant to Chapter 17 of the Hong Kong Listing Rules, the 2022 Share Options Incentive Scheme constitutes a share scheme. The Company was exempted from strict compliance with Note (1) to Rule 17.03 (9) of the Hong Kong Listing Rules with respect to the exercise price of share options that may be granted under the 2022 Share Options Incentive Scheme.

On 21 September 2022, the Company convened the 36th meeting of the tenth session of the Board to consider and approve the amendments to the terms of the 2022 Share Options Incentive Scheme, and approve the 2022 Share Options Incentive Scheme (Revised Draft) and its summary (the “2022 Share Options Incentive Scheme (Revised)”).

On 14 October 2022, the 2022 Share Options Incentive Scheme (Revised) was considered and approved at the 2022 second extraordinary general meeting, the 2022 second meeting of A Shareholders and the 2022 second meeting of H Shareholders.

Purpose of the scheme

The 2022 Share Options Incentive Scheme has been formulated to further establish and improve the Company’s long-term incentive mechanism, attract and retain outstanding talents, maximize the motivation of Directors, senior management, mid-level management and relevant core personnel of the Company and effectively align Shareholders’ interests, the Company’s interests and individual interests of the core team members so that the parties would make joint efforts for the Company’s long-term development.

The Incentive Participants include Directors (excluding independent Directors) and employees of the Company only. The 2022 Share Options Incentive Scheme also prescribes the vesting period of the share options and performance targets which must be achieved before the share options can be exercised. The exercise price of the share options is also specified in the 2022 Share Options Incentive Scheme. The aforesaid criteria and rules help serve the purpose of the 2022 Share Options Incentive Scheme and to motivate the incentive participants to remain employed with the Group during the vesting period, which allows the Group to benefit from their continued services, and use their best endeavours to meet the performance targets, which contributes to the growth and development of the Company. Moreover, the 2022 Share Options Incentive Scheme also specifies a claw-back mechanism under different circumstances, which may, as applicable, involve cancellation of the outstanding share options and recovery of gains received by the incentive participants, which serves to align the interests of the Company and the incentive participants.

Incentive participants

The incentive participants of the 2022 Share Options Incentive Scheme include the Directors, senior management, mid-level management and relevant core personnel of the Company. The incentive participants shall exclude independent Directors, Supervisors and Shareholders individually or in aggregate holding 5% or more of the shares of the Company or the de facto controllers and their spouses, parents or children.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

2. The 2022 Share Options Incentive Scheme *(continued)*

Total number of shares issuable

On 7 November 2022, the Company convened the 39th meeting of the tenth session of the Board to consider and approve: the adjustment to the list of incentive participants and the number of share options under the First Grant of the 2022 Share Options Incentive Scheme (Revised): the adjustment to the number of incentive participants under the First Grant from 1,034 to 1,026 and the adjustment to the number of share options under the First Grant from 18,000,000 to 17,973,500. The number of share options under the Reserved Grant is 2,000,000. The total number of shares granted under the First Grant and the Reserved Grant represents 1.92% and 0.21% of total share capital in issue as at the disclosure date of the Report or amounts in the aggregate to 2.13% of total share capital in issue as at the disclosure date of the Report.

Maximum entitlement

None of the incentive participants will be granted share options which, if exercised in full, would result in the total number of A Shares issued and to be issued in respect of all options or awards granted under the 2022 Share Options Incentive Scheme, any other share option scheme(s) or share award scheme(s) of the Company to such incentive participants (excluding any options and awards lapsed) in the 12-month period up to and including the date of such grant exceeding 1% of A Shares in issue as at the date of such grant. The total number of A Shares which may be issued in respect of all options or awards to be granted under the 2022 Share Options Incentive Scheme, any other share option scheme(s) or share award scheme(s) of the Company must not, in aggregate, exceed 10% of A Shares in issue as at the date of approval of the 2022 Share Options Incentive Scheme by the Shareholders.

Validity period of the scheme

The validity period of the 2022 Share Options Incentive Scheme shall not be longer than 60 months (namely 22 November 2027) commencing on the registration date of the First Grant of the share options and ending on the date on which all the share options granted to the incentive participants have been exercised or otherwise cancelled.

Vesting period, exercise period and exercise date

The vesting period (namely vesting period) of the 2022 Share Options Incentive Scheme refers to the period between the registration date of grant of the share options and the exercise date of the share options. The vesting period of the share options under the First Grant are 12 months, 24 months and 36 months, respectively, while the vesting period of the share options under the Reserved Grant are 12 months and 24 months, respectively.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

2. The 2022 Share Options Incentive Scheme *(continued)*

Vesting period, exercise period and exercise date *(continued)*

The following table sets forth the exercise period under the First Grant and the exercise schedule for each tranche:

Exercise arrangement	Exercise period	Exercise proportion
First exercise period for share options under the First Grant	Commencing on the first trading day after expiry of the 12-month period from the registration completion date of the First Grant and ending on the last trading day of the 24-month period from the registration completion date of the First Grant	40%
Second exercise period for share options under the First Grant	Commencing on the first trading day after expiry of the 24-month period from the registration completion date of the First Grant and ending on the last trading day of the 36-month period from the registration completion date of the First Grant	30%
Third exercise period for share options under the First Grant	Commencing on the first trading day after expiry of the 36-month period from the registration completion date of the First Grant and ending on the last trading day of the 48-month period from the registration completion date of the First Grant	30%

The following table sets forth the exercise period under the Reserved Grant and the exercise schedule for each tranche:

Exercise arrangement	Exercise period	Exercise proportion
First exercise period for share options under the Reserved Grant	Commencing on the first trading day after expiry of the 12-month period from the registration completion date of the Reserved Grant and ending on the last trading day of the 24-month period from the registration completion date of the Reserved Grant	50%
Second exercise period for share options under the Reserved Grant	Commencing on the first trading day after expiry of the 24-month period from the registration completion date of the Reserved Grant and ending on the last trading day of the 36-month period from the registration completion date of the Reserved Grant	50%

Basis for determining exercise price

The exercise price of the share options under the First Grant shall not be lower than the par value of the A Shares, and shall be the higher of the following:

- (1) the average trading price of the A Shares of the Company for the last trading day preceding the date of announcement of the 2022 Share Options Incentive Scheme (i.e. 30 August 2022) (the total transaction value of the A Shares for the last trading day/the total trading volume of the A Shares for the last trading day), being RMB30.679 per share;
- (2) the average trading price of the A Shares of the Company for the last 20 trading days preceding the date of announcement of the 2022 Share Options Incentive Scheme (the total transaction value of the A Shares for the last 20 trading days/the total trading volume of the A Shares for the last 20 trading days), being RMB31.303 per share.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

2. The 2022 Share Options Incentive Scheme *(continued)*

Basis for determining exercise price *(continued)*

The exercise price of the share options under the Reserved Grant shall not be lower than the par value of the A Shares, and shall be the higher of the following:

- (1) the average trading price of the A Shares of the Company for the last trading day preceding the date of announcement of the Board resolution on the grant of share options under the Reserved Grant (the total transaction value of the A Shares for the last trading day/the total trading volume of the A Shares for the last trading day);
- (2) the average trading price of the A Shares of the Company for the last 20, 60 or 120 trading days preceding the date of announcement of the Board resolution on the grant of the share options under the Reserved Grant.

The incentive participants are not required to pay any amount for accepting the grant of options.

Performance target and individual performance assessment

- (1) Performance targets at the Company level

The share options granted under the 2022 Share Options Incentive Scheme are subject to annual assessment for exercise during the three accounting years in the exercise period, such that achieving of the performance targets by the incentive participants is a condition to exercise the share options.

The performance targets of the First Grant are as follows:

Exercise period	Performance target
First exercise period for Share Options under the First Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2022 shall not be lower than 15%;
Second exercise period for Share Options under the First Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2023 shall not be lower than 15%;
Third exercise period for Share Options under the First Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2024 shall not be lower than 15%.

Note: The above indicators of “net profit” and “compound growth rate of the net profit” are calculated on the basis of the net profit attributable to the shareholders of the Company after deducting the extraordinary gains or losses and excluding the share-based payment expense under the 2022 Share Options Incentive Scheme, and the same below.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

2. The 2022 Share Options Incentive Scheme *(continued)*

Performance target and individual performance assessment *(continued)*

(1) Performance targets at the Company level *(continued)*

If the share options of the Reserved Grant are granted before the 2022 third quarterly report is published, the performance targets of the Reserved Grant will be the same as that of the First Grant; if the Share Options of the Reserved Grant are granted after the 2022 third quarterly report is published, the performance targets for each year are shown in the table below:

Exercise period	Performance target
First exercise period for Share Options under the Reserved Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2023 shall not be lower than 15%;
Second exercise period for Share Options under the Reserved Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2024 shall not be lower than 15%.

In the event the Company fails to meet the performance targets above, all share options which are exercisable by the incentive participants in the respective assessment year shall not be exercised and shall be cancelled by the Company.

(2) Performance targets at individual level

The assessment of the incentive participants at individual level shall be conducted according to the Company's current requirements for remuneration and assessment, and the comprehensive appraisal results of the incentive participants for each assessment year will be graded as follows:

Appraisal results	Excellent	Good	Qualified	Failed
Exercise percentage		100%	80%	0%

If the performance target at the Company level for the respective year is met, the actual personal exercise amount of an incentive participant for the respective year = exercise percentage × the scheduled personal exercise amount of the incentive participant for the respective year.

The Company shall cancel the share options granted to the incentive participants which cannot be exercised in the respective year.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

2. The 2022 Share Options Incentive Scheme *(continued)*

Fair value and accounting policies of the share options

(1) Fair value

The Company selected the Black-Scholes Model to calculate the fair value of share options under the First Grant, the specific calculating methods and results of fair value of each share option are as follows:

Parameters	Explanation for parameters
Price of subject share	RMB36.89 per share (the price on the date of grant)
Exercise price	RMB31.31 per share option
Validity period of share options	The validity periods of the three exercise periods are 1 year, 2 years and 3 years, respectively
Risk-free interest rate	Risk-free interest rates of the three exercise periods are 1.50%, 2.10% and 2.75%, respectively (based on one-year, two-year, three-year time deposit rate)
Volatility of underlying share	The volatility of the three exercise periods are 21.00%, 20.26% and 21.81%, respectively (based on the historic volatility rate of the SZSE Composite Index in the latest 12 months, 24 months and 36 months)
Dividend yield of underlying share	The dividend yields for the three exercise periods are 3.96%, 3.24% and 3.11%, respectively (based on the average dividend rate of the Company in the latest one year, two years and three years)

Note 1: The expected dividend is calculated according to the historical dividend distributions of the Company.

Note 2: The risk-free interest rate is based on the interest rate of time deposits in the corresponding exercise period of share options.

Note 3: The calculation results of the value of the share options are subject to a number of assumptions of the parameters used in this section and the limitation of the model adopted, therefore the estimated fair value of the share options may be subjective and uncertain.

The aforesaid parameters are substituted into the Black-Scholes Model to calculate the fair value of each share option. The costs of the corresponding period are calculated by the assumptions: exercise amount of each tranche = total amount granted × exercise percentage of the period (exercise in tranches with the exercise percentage of 40%, 30% and 30%).

	Tranche 1	Tranche 2	Tranche 3
Fair value of the share options (RMB/share option)	5.80	6.41	7.51
Exercise amount (0'000 share options)	718.94	539.21	539.21
Total cost for the period (RMB0'000)	4,169.85	3,456.30	4,049.43
Total cost (RMB0'000)		11,675.59	

According to the aforesaid calculation, on 7 November 2022, the date of grant, the Group granted 17,973,500 share options to the incentive participants under the First Grant with the total fair value of RMB116.7559 million which would be recognised in phrases during the implementation process of the 2022 Share Options Incentive Scheme as the incentive cost incurred thereunder.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

2. The 2022 Share Options Incentive Scheme *(continued)*

Fair value and accounting policies of the share options *(continued)*

(2) Accounting policies

Pursuant to the relevant requirements of "Enterprise Accounting Standard No. 11 – Share-based Payments", the Company will update the expected amount of share options exercisable on each balance sheet date during the vesting period based on latest available subsequent information such as the change in the number of incentive participants who are entitled to exercise and the completion status of performance targets. Services received during the period will be accounted in relevant costs or fees and capital reserves based on the fair value of the share options on the date of grant.

First Grant

- (1) On 7 November 2022, the Company convened the 39th meeting of the tenth session of the Board to consider and approve:
- (i) the adjustment to the list of incentive participants and the number of share options under the First Grant of the 2022 Share Options Incentive Scheme (Revised): the adjustment to the number of incentive participants under the First Grant from 1,034 to 1,026 and the adjustment to the number of share options under the First Grant from 18,000,000 to 17,973,500. Incentive participants under the First Grant included the Directors and the President of the Company and their close associates;
- (ii) with 7 November 2022 as the date of the First Grant, granting 17,973,500 share options to 1,026 incentive participants (incentive participants were not required to pay any consideration to the Company when accepting the share options) with the exercise price of RMB31.31 per A Share. Registration of the First Grant was completed on 23 November 2022. The abbreviation of the share options: Livzon JLC3. The code of the share options: 037312.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES (continued)

2. The 2022 Share Options Incentive Scheme (continued)

First Grant (continued)

Details of the allocation and exercise of the First Grant are set out in the table below:

Incentive participant	Position	Number of	Number of					Number of	Number of
		share options that can be granted at the Beginning of the Reporting Period	share options held as at 1 January 2022	share options granted during the Year	share options exercised during the Year	share options cancelled during the Year	share options lapsed during the Year	share options held as at 31 December 2022	share options that can be granted at the End of the Reporting Period
		(0'000 share options) ⁽¹⁾	(0'000 share options)	(0'000 share options) ⁽²⁾	(0'000 share options)	(0'000 share options) ⁽³⁾	(0'000 share options) ⁽³⁾	(0'000 share options) ^{(2), (3)}	(0'000 share options) ⁽³⁾
Mr. Tang Yanggang	Executive Director and President	-	-	16.00	-	-	-	16.00	-
Mr. Xu Guoxiang	Vice Chairman, Executive Director and Vice President	-	-	16.00	-	-	-	16.00	-
Mr. Yang Daihong	Vice President	-	-	12.00	-	-	-	12.00	-
Ms. Si Yanxia	Vice President, Chief Financial Officer	-	-	12.00	-	-	-	12.00	-
Mr. Zhou Peng	Vice President	-	-	9.60	-	-	-	9.60	-
Ms. Huang Yuxuan	Vice President	-	-	12.00	-	-	-	12.00	-
Mr. Xu Peng	Vice President	-	-	12.00	-	-	-	12.00	-
Mr. Yang Liang	Vice President, Secretary to the Board and Company Secretary	-	-	12.00	-	-	-	12.00	-
Ms. Hou Xuemei ⁽⁴⁾	Mid-level management	-	-	6.40	-	-	-	6.40	-
Mid-level management and relevant core personnel of the Company (1,017 persons)		-	-	1,689.35	-	-	-	1,689.35	-

- Notes:**
- On 14 October 2022, the 2022 Share Options Incentive Scheme was considered and approved at the 2022 second extraordinary general meeting, the 2022 second class meeting of A Shareholders and the 2022 second class meeting of H Shareholders. Therefore, the total number of share options that can be granted under the First Grant was 0.
 - The grant date of the aforesaid share options is 7 November 2022, and the exercise price is RMB31.31 per A Share. For details of the vesting period (namely vesting period) and exercise period of the aforesaid share options, please refer to the relevant contents of "Vesting period, exercise period and exercise date" and "Performance targets at individual level" as set out above. The total fair value of the aforesaid share options as at the date of grant (7 November 2022) was RMB116.7559 million. For details of the fair value and accounting policies of such share options, please refer to the relevant contents of "Fair value and accounting policies of the share options" as set out above.
 - On 4 November 2022 (trading day before the grant date), the closing price of the A Shares of the Company was RMB38.10 per share.
 - Ms. Hou Xuemei is the spouse of Mr. Tao Desheng, a Director of the Company, and is the close associate of Mr. Tao Desheng under the Hong Kong Listing Rules.
 - As at the End of the Reporting Period, all share options granted under the First Grant have been granted. Therefore, the total number of share options that can be granted under the First Grant was 0 at the End of Reporting Period. All share options granted under the First Grant have not been excised, cancelled or lapsed.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

2. The 2022 Share Options Incentive Scheme *(continued)*

Reserved Grant

On 14 October 2022, the 2022 Share Options Incentive Scheme was considered and approved at the 2022 second extraordinary general meeting, the 2022 second class meeting of A Shareholders and the 2022 second class meeting of H Shareholders. At the Beginning of the Reporting Period, the total number of the share options under the Reserved Grant was 0. As at the End of the Reporting Period, the total number of the share options grantable under the Reserved Grant was 2,000,000.

Incentive participants for the Reserved Grant shall be determined within 12 months from the date on which the Incentive Scheme is considered and approved at the extraordinary general meeting, the A Shareholders' class meeting and the H Shareholders' class meeting. If the incentive participants for the Reserved Grant are not determined after 12 months from the aforesaid date, the reserved entitlements shall become invalid. The criteria for determining the incentive participants for the Reserved Grant shall be the same as the criteria for the First Grant.

3. The shares issued for share options and awards granted under all share plans

During the Year, the Company have issued 1,091,966 shares according to the 2018 Share Options Incentive Scheme and the 2022 Share Options Incentive Scheme, representing 0.17% of the weighted average number of A shares in issue for the Year.

XXII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME

1. The First Phase Ownership Scheme

The Medium to Long-term Business Partner Share Ownership Scheme (Draft) and its summary (the "Ownership Scheme") was considered and approved by the 2020 first extraordinary general meeting of the Company on 11 February 2020. In order to further improve the Ownership Scheme, on 11 December 2020, the Company's 2020 fifth extraordinary general meeting considered and approved the revision of some provisions under the Ownership Scheme. On 6 May 2021, the 2021 second extraordinary general meeting of the Company considered and approved the First Phase Ownership Scheme under the Ownership Scheme (the "First Phase Ownership Scheme") and its administrative measures. Pursuant to Chapter 17 of the Hong Kong Listing Rules, the First Phase Ownership Scheme constitutes a share scheme involving existing shares.

The holders of the First Phase Ownership Scheme (the "Holders") include connected persons of the Company (the "Connected Holders"), and the maximum subscription shares held by the Connected Holders were 53,375,051 shares (the "Maximum Subscription Shares"), and the corresponding maximum subscription amount was RMB53,375,051. The grant of the subscription shares by the Company to the Connected Holders constituted a connected transaction for the Company under Chapter 14A of the Hong Kong Listing Rules. As the maximum applicable percentage ratio of the relevant Maximum Subscription Shares exceeded 0.1% but was less than 5%, the grant of the subscription shares by the Company to the Connected Holders was therefore subject to the reporting and announcement requirements but was exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

On 18 May 2021, the First Phase Ownership Scheme has completed the opening of a securities account (the "Account") in the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. On 26 May 2021, the First Phase Ownership Scheme purchased a total of 2,348,960 A Shares of the Company (the "Shares") through the Account by means of centralized bidding transactions. The average transaction price was RMB49.92 per share, and the transaction amount was RMB117,268,338.21. As at 26 May 2021, the First Phase Ownership Scheme has completed the share purchase, and the Shares would be locked up for 36 months as required (from 27 May 2021 to 26 May 2024). The total number of shares involved in the First Phase Ownership Scheme was 2,348,960 A Shares, representing approximately 0.25% of the total share capital of 935,552,687 shares as at the date of disclosure of this annual report.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME

(continued)

1. The First Phase Ownership Scheme *(continued)*

The summary of the First Phase Ownership Scheme is as follows:

Purpose and benefits of the scheme

The First Phase Ownership Scheme has been formulated to establish an innovative long-term incentive stock ownership mechanism for senior management and core technical teams. By attaching rights and obligations to the Holders and establishing the business partnership mechanism of “enjoying the benefits and assuming the risk together”, it is expected to effectively advance and promote the change from “managers” to “partners” in the Company, which will help to optimize the compensation structure of the Company, promote the long-term stable development of the Company and enhance the overall value of the Company.

Participation principles and target participants

The First Phase Ownership Scheme follows the principles of independent decision by the Company and voluntary participation of employees. There will not be any such situation of forcing employees to participate in the First Phase Ownership Scheme by way of apportionment or forced distribution.

The scope of the Holders of the First Phase Ownership Scheme shall include senior management of the Company, key R&D and sales personnel who have made outstanding contribution to the performance in the assessment period or will have important impact on the future performance of the Company, general managers of the business divisions of the Company, key management personnel including general managers of the subsidiaries and heads of level 1 functional departments at the headquarter of the Company. The total number of participants under the First Phase Ownership Scheme is 80, of which 9 are Directors (excluding independent non-executive Directors), Supervisors and senior management. Shareholders holding more than 5% of the shares of the Company and de facto controllers shall not participate in the First Phase Ownership Scheme.

Source of funds and assessment indicators for Special Fund

Funds for participation of the Company’s employees in the First Phase Ownership Scheme come from the special fund (the “Special Fund”) of the First Phase Ownership Scheme set aside by the Company. There is no circumstance where the Company provides financial assistance to employees or provide guarantees for their loans, or where third parties provide incentives, grants and subsidies, and make up the balance to target participants. The total amount of funds to be held by the First Phase Ownership Scheme is RMB117,461,090, all of which are the Special Fund set aside by the Company. The employees of the Company are not required to pay any amount for participating in the First Phase Ownership Scheme or receiving the distribution income according to the First Phase Ownership Scheme.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME

(continued)

1. The First Phase Ownership Scheme (continued)

Source of funds and assessment indicators for Special Fund (continued)

The Special Fund shall be extracted with net profit attributable to the Shareholders of the Company after deducting the extraordinary gains or losses in 2018 (RMB947.2163 million) as the base. During the period of assessment (2019-2028), the Company will use the compound growth rate of net profit achieved in each year as the assessment indicator to calculate and set aside a progressive Special Fund for each period. The ratios are set out in details as below:

Compound growth rate of net profit achieved in each year of assessment (X)	Percentage of progressive Special Fund with a compound growth rate of over 15%
$X \leq 15\%$	0
$15\% < X \leq 20\%$	25%
$20\% < X$	35%

If the amount of Special Fund to be set aside exceeds 8% of the audited net profit attributable to the Shareholders of the Company after deducting the extraordinary gains or losses in that year, the Special Fund shall be set aside in the amount of 8% of the audited net profit attributable to the Shareholders of the Company after deducting the extraordinary gains or losses.

If the audited net profit attributable to the Shareholders of the Company after deducting the extraordinary gains or losses in the current year increases less than 5% year-on-year comparing to that in the previous year due to the provision of the Special Fund, no Special Fund shall be set aside for the year.

Source of shares

Underlying shares (the "Underlying Shares") purchased through means as permitted by the laws and regulations, including purchases through the secondary market (including but not limited to auction transactions and block trades). Under the First Phase Ownership Scheme, where the Underlying Shares are purchased through the secondary market, it shall be completed within six months after the resolution on the First Phase Ownership Scheme is reviewed and approved by the general meeting.

Number of Shares and maximum entitlement

The aggregate number of shares to be held in the First Phase Ownership Scheme shall not exceed 10% of the total share capital of the Company, and the aggregate number of shares corresponding to the share of the First Phase Ownership Scheme to be held by a single employee shall not exceed 1% of the total share capital of the Company.

The aggregate number of the Underlying Shares shall not include shares obtained by the Holders prior to the initial public offering of shares by the Company, shares purchased through the secondary market and shares obtained through equity incentives.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME

(continued)

1. The First Phase Ownership Scheme *(continued)*

Duration and Lock-up period

The duration of the First Phase Ownership Scheme shall be 48 months, which is calculated from the time when the Company makes an announcement on the transfer of the last tranche of the Underlying Shares in the First Phase Ownership Scheme to the account in the name of the First Phase Ownership Scheme, namely 27 May 2021 to 26 May 2025.

Lock-up periods of the Underlying Shares obtained by the First Phase Ownership Scheme shall be 36 months, which is calculated from the time when the Company makes an announcement on the transfer of the last tranche of the Underlying Shares in the First Phase Ownership Scheme to the account in the name of the First Phase Ownership Scheme, namely 27 May 2021 to 26 May 2024.

Management model

The highest organ of authority responsible for the internal management of the First Phase Ownership Scheme shall be the Holders' meeting (the "Holders' Meeting"). The Holders' Meeting under the First Phase Ownership Scheme shall elect a management committee (the "Management Committee"). The Management Committee shall perform the daily management of the First Phase Ownership Scheme in accordance with the provisions of the First Phase Ownership Scheme. The management of the First Phase Ownership Scheme has been commissioned to CITIC Securities Company Limited with asset management qualifications.

Disposal of interests

- (1) After the expiration of the duration of the First Phase Ownership Scheme, (i) the Holders' Meeting shall authorize the Management Committee to complete clearance within 15 working days from the expiration of the duration or termination of the First Phase Ownership Scheme. After deducting relevant taxes and fees according to the law, the allocation of interests shall be carried out in accordance with relevant regulations under the Administrative Measures; (ii) if any of the Underlying Shares is still included in the assets which are held by the First Phase Ownership Scheme, the Management Committee shall determine a specific way of disposal.
- (2) After the lock-up period of the First Phase Ownership Scheme expires, interests may be disposed of according to one of the following ways:
 - (i) continue to hold the Underlying Shares during the duration;
 - (ii) sell the Underlying Shares that are purchased by the First Phase Ownership Scheme within the duration;
 - (iii) transfer the ownership of the Underlying Shares to the personal accounts of Holders of the First Phase Ownership Scheme;
 - (iv) other ways as permitted by the laws, administrative regulations, rules or normative documents.

After the lock-up period of the First Phase Ownership Scheme expires, the Management Committee may sell the Underlying Shares at any time during the duration of the First Phase Ownership Scheme. Where there is distributable income after the lockup period of the First Phase Ownership Scheme expires, the Management Committee shall allocate the distributable income. The Management Committee shall, after deducting relevant taxes and fees according to law, allocate the aforementioned distributable income according to the number of shares that are held by the Holders.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME

(continued)

1. The First Phase Ownership Scheme (continued)

Shares allocation of Holders

The list and shares of Holders are set out below:

Holders	Type	Proportion to the total amount of the First Phase Ownership Scheme	Shares	Shares held as at 1 January 2022	Shares vested during the Year	Share cancelled during the Year	Shares lapsed during the Year	Shares held as at 31 December 2022	Shares
			unvested at the Beginning of the Reporting Period						unvested at the End of the Reporting Period
			(0'000 shares) ⁽¹⁾	(0'000 shares)	(0'000 shares) ^{(2) (3)}	(0'000 shares)	(0'000 shares)	(0'000 shares)	(0'000 shares) ⁽⁴⁾
Mr. Tang Yanggang	Executive Director	7.13%	-	837,3502	-	-	-	837,3502	-
Mr. Xu Guoxiang	Executive Director	5.00%	-	587,3055	-	-	-	587,3055	-
The top five highest paid individuals (except for Mr. Tang Yanggang and Mr. Xu Guoxiang)		9.34%	-	1,097,5637	-	-	-	1,097,5637	-
Others (73 persons)		78.53%	-	9,223,8896	-	-	-	9,223,8896	-

- Notes: (1) On 6 May 2021, the First Phase Ownership Scheme was considered and approved at the 2021 second extraordinary general meeting. On 26 May 2021, the First Phase Ownership Scheme purchased a total of 2,348,960 A Shares of the Company by means of centralized bidding transactions with transaction amount of RMB117,268,338.21.
- (2) For the details of duration, lock-up period and appraisal indicators, please refer to relevant contents of "Duration and lock-up period" and "Source of funds and assessment indicators for Special Fund" above. The employees of the Company are not required to pay any amount for participating in the First Phase Ownership Scheme or receiving the distribution income according to the First Phase Ownership Scheme.
- (3) On 25 May 2021 (at the trading day prior to the share being vested), the closing price of the A shares of the Company is RMB49.16 per share.
- (4) As at the End of the Reporting Period, all of 117,461,090 shares have been vested to the Holders. Therefore, the number of shares that have not been vested under the First Phase Ownership Scheme was 0 share.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME

(continued)

1. The First Phase Ownership Scheme (continued)

Shares allocation of Holders (continued)

Among which, the list and shares subscription of the Connected Holders are set out below:

Holders	Positions held with the Company/ subsidiaries of the Company	Shares subscribed (0'000 shares)	Proportion to the total amount of the First Phase Ownership Scheme
Mr. Tang Yanggang	Executive Director and President	837.3502	7.13%
Mr. Xu Guoxiang	Vice Chairman, Executive Director and Vice President	587.3055	5.00%
Mr. Xu Peng	Vice President	334.0666	2.84%
Mr. Yang Daihong	Vice President	352.3833	3.00%
Ms. Huang Yuxuan	Vice President	411.1138	3.50%
Ms. Si Yanxia	Vice President, Chief Financial Officer	293.6527	2.50%
Mr. Zhou Peng	Vice President	234.9222	2.00%
Mr. Yang Liang	Vice President, Secretary to the Board and Company Secretary	293.6527	2.50%
Mr. Wang Maolin	Chief Supervisor	117.4611	1.00%
Ms. Hou Xuemei ^(note)	Chief Scientist of a subsidiary of the Company	161.6556	1.38%
Directors, general managers and other core management personnel of subsidiaries of the Company (70 persons)		8,122.5453	69.15%

Note: Ms. Hou Xuemei is the spouse of Mr. Tao Desheng, the vice chairman of Company, and therefore is a connected person of the Company.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME

(continued)

2. The Second Phase Ownership Scheme

On 20 May 2022, the 2021 annual general meeting of the Company considered and approved the Second Phase Ownership Scheme under the Ownership Scheme (the “Second Phase Ownership Scheme”) and its administrative measures (the “Administrative Measures”). Pursuant to Chapter 17 of the Hong Kong Listing Rules, the Second Phase Ownership Scheme constitutes a share scheme involving existing shares.

The holders of the Second Phase Ownership Scheme (the “Holders”) include connected persons of the Company (the “Connected Holders”), the maximum subscription shares held by the Connected Holders were 27,123,084 shares (the “Maximum of Subscription Shares”), and the corresponding maximum subscription amount was RMB27,123,084.

The grant of the subscription shares by the Company to the Connected Holders constituted a connected transaction for the Company under Chapter 14A of the Hong Kong Listing Rules. As the maximum applicable percentage ratio of the relevant Maximum Subscription Shares exceeded 0.1% but was less than 5%, the grant of the subscription shares by the Company to the Connected Holders was therefore subject to the reporting and announcement requirements, but was exempted from the independent shareholders’ approval requirement under Chapter 14 A of the Hong Kong Listing Rules.

On 27 May 2022, the first Holders’ meeting under the Second Phase Ownership Scheme considered and approved (i) the establishment of the management committee of the Second Phase Ownership Scheme as the daily supervision and management agency for the Second Phase Ownership Scheme; and (ii) the election of Mr. Tang Yanggang, Ms. Si Yanxia and Mr. Yang Liang as members of the management committee of the Second Phase Ownership Scheme.

On 8 July 2022, in order to ensure the smooth implementation of the Second Phase Ownership Scheme, having comprehensively considered external factors and the actual conditions of the Company, the 2022 first extraordinary general meeting of the Company considered and approved the amendment to the Second Phase Ownership Scheme and its administrative measures, which would change from being managed by commissioning the asset management agency to being managed by the Company itself.

From 10 August 2022 to 12 August 2022, the Second Phase Ownership Scheme purchased a total of 2,057,711 A Shares of the Company by means of centralized bidding transactions through the trading system of Shenzhen Stock Exchange. The average transaction price was RMB31.56 per share, and the transaction amount was approximately RMB64,951,400. As at 12 August 2022, the Second Phase Ownership Scheme has completed the share purchase, and the Shares would be locked up for 36 months as required (from 13 August 2022 to 12 August 2025). The total number of shares involved in the Second Phase Ownership Scheme was 2,057,711 A Shares, representing approximately 0.22% of the total share capital of 935,552,687 shares as at the date of disclosure of this annual report.

The summary of the Second Phase Ownership Scheme is as follows:

Purpose and benefits of the scheme

The Second Phase Ownership Scheme has been formulated to establish an innovative long-term incentive stock ownership mechanism for senior management and core technical teams. By attaching rights and obligations to the Holders and establishing the business partnership mechanism of “enjoying the benefits and assuming the risk together”, it is expected to effectively advance and promote the change from “managers” to “partners” in the Company, which will help to optimise the compensation structure of the Company, promote the long-term stable development of the Company and enhance the overall value of the Company.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME

(continued)

2. The Second Phase Ownership Scheme (continued)

Participation principles and target participants

The Second Phase Ownership Scheme follows the principles of independent decision by the Company and voluntary participation of employees. There will not be any such situation of forcing employees to participate in the Second Phase Ownership Scheme by way of apportionment or forced distribution.

The scope of the Holders of the Second Phase Ownership Scheme shall include senior management of the Company, key R&D and sales personnel who have made outstanding contribution to the performance in the assessment period or will have important impact on the future performance of the Company, general managers of the business divisions of the Company, key management personnel including general managers of the subsidiaries and heads of level 1 functional departments at the headquarter of the Company. The total number of participants under the Second Phase Ownership Scheme is 78, of which 9 are Directors (excluding independent non-executive Directors), Supervisors and senior management. Shareholders holding more than 5% of the shares of the Company and de facto controllers shall not participate in the Second Phase Ownership Scheme.

Source of funds and assessment indicators for Special Fund

Funds for participation of the Company's employees in the Second Phase Ownership Scheme come from the special fund (the "Special Fund") of the Second Phase Ownership Scheme set aside by the Company. There is no circumstance where the Company provides financial assistance to employees or provide guarantees for their loans, or where third parties provide incentives, grants and subsidies, and make up the balance to target participants. The total amount of funds to be held by the Second Phase Ownership Scheme is RMB64,965,470, all of which are the Special Fund set aside by the Company. The employees of the Company are not required to pay any amount for participating in the Second Phase Ownership Scheme or receiving the distribution income according to the Second Phase Ownership Scheme.

The Special Fund shall be extracted with net profit attributable to the Shareholders of the Company after deducting the extraordinary gains or losses in 2018 (RMB947.2163 million) as the base. During the period of assessment (2019-2028), the Company will use the compound growth rate of net profit achieved in each year as the assessment indicator to calculate and set aside a progressive Special Fund for each period. The ratios are set out in details as below:

Compound growth rate of net profit achieved in each year of assessment (X)	Percentage of progressive Special Fund with a compound growth rate of over 15%
$X \leq 15\%$	0
$15\% < X \leq 20\%$	25%
$20\% < X$	35%

If the amount of Special Fund to be set aside exceeds 8% of the audited net profit attributable to the Shareholders of the Company after deducting the extraordinary gains or losses in that year, the Special Fund shall be set aside in the amount of 8% of the audited net profit attributable to the Shareholders of the Company after deducting the extraordinary gains or losses.

If the audited net profit attributable to the Shareholders of the Company after deducting the extraordinary gains or losses in the current year increases less than 5% year-on-year comparing to that in the previous year due to the provision of the Special Fund, no Special Fund shall be set aside for the year.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME

(continued)

2. The Second Phase Ownership Scheme *(continued)*

Source of shares

Underlying shares (the "Underlying Shares") purchased through means as permitted by the laws and regulations, including purchases through the secondary market (including but not limited to auction transactions and block trades). Under the Second Phase Ownership Scheme, where the Underlying Shares are purchased through the secondary market, it shall be completed within six months after the resolution on the Second Phase Ownership Scheme is reviewed and approved by the general meeting.

Number of shares and maximum entitlement

The aggregate number of shares to be held in the Second Phase Ownership Scheme shall not exceed 10% of the total share capital of the Company, and the aggregate number of shares corresponding to the share of the Second Phase Ownership Scheme to be held by a single employee shall not exceed 1% of the total share capital of the Company.

The aggregate number of the Underlying Shares shall not include shares obtained by the Holders prior to the initial public offering of shares by the Company, shares purchased through the secondary market and shares obtained through equity incentives.

Duration and lock-up period

The duration of the Second Phase Ownership Scheme shall be 48 months, which is calculated from the time when the Company makes an announcement on the transfer of the last tranche of the Underlying Shares in the Second Phase Ownership Scheme to the account in the name of the Second Phase Ownership Scheme, namely 13 August 2022 to 12 August 2026.

Lock-up periods of the Underlying Shares obtained by the Second Phase Ownership Scheme shall be 36 months, which is calculated from the time when the Company makes an announcement on the transfer of the last tranche of the Underlying Shares in the Second Phase Ownership Scheme to the account in the name of the Second Phase Ownership Scheme, namely 13 August 2022 to 12 August 2025.

Management model

The highest organ of authority responsible for the internal management of the Second Phase Ownership Scheme shall be the Holders' meeting (the "Holders' Meeting"). The Holders' Meeting under the Second Phase Ownership Scheme shall elect a management committee (the "Management Committee"). The Management Committee shall perform the daily management of the Second Phase Ownership Scheme in accordance with the provisions of the Second Phase Ownership Scheme. The Second Phase Ownership Scheme will be managed by the Company.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME

(continued)

2. The Second Phase Ownership Scheme *(continued)*

Disposal of interests

- (1) After the expiration of the duration of the Second Phase Ownership Scheme, (i) the Holders' Meeting shall authorize the Management Committee to complete clearance within 15 working days from the expiration of the duration or termination of the Second Phase Ownership Scheme. After deducting relevant taxes and fees according to the law, the allocation of interests shall be carried out in accordance with relevant regulations under the Administrative Measures; (ii) if any of the Underlying Shares is still included in the assets which are held by the Second Phase Ownership Scheme, the Management Committee shall determine a specific way of disposal.
- (2) After the lock-up period of the Second Phase Ownership Scheme expires, interests may be disposed of according to one of the following ways:
 - (i) continue to hold the Underlying Shares during the duration;
 - (ii) sell the Underlying Shares that are purchased by the Second Phase Ownership Scheme within the duration;
 - (iii) transfer the ownership of the Underlying Shares to the personal accounts of Holders of the Second Phase Ownership Scheme;
 - (iv) other ways as permitted by the laws, administrative regulations, rules or normative documents.

After the lock-up period of the Second Phase Ownership Scheme expires, the Management Committee may seek to sell the Underlying Shares at its option during the duration of the Second Phase Ownership Scheme. Where there is distributable income after the lock-up period of the Second Phase Ownership Scheme expires, the Management Committee shall allocate the distributable income. The Management Committee shall, after deducting relevant taxes and fees according to law, allocate the aforementioned distributable income according to the number of shares that are held by the Holders.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME

(continued)

2. The Second Phase Ownership Scheme (continued)

Shares allocation of Holders

The list and shares of Holders are set out below:

Holders	Type	Proportion to the total amount of the Second Phase Ownership Scheme	Shares unvested at the Beginning of the Reporting Period		Shares held as at 1 January 2022	Shares vested during the Year	Share cancelled during the Year	Shares lapsed during the Year	Shares held as at 31 December 2022	Shares unvested at the End of the Reporting Period
			(0'000 shares) ⁽¹⁾	(0'000 shares)						
Mr. Tang Yanggang	Executive Director	6.00%	-	-	389,7928	-	-	389,7928	-	
Mr. Xu Guoxiang	Executive Director	5.00%	-	-	324,8274	-	-	324,8274	-	
The top five highest paid individuals (except for Mr. Tang Yanggang and Mr. Xu Guoxiang)		14.25%	-	-	925,7579	-	-	925,7579	-	
Others (71 persons)		74.75%	-	-	4,856,1689	-	-	4,856,1689	-	

Notes: (1) On 20 May 2022, the Second Phase Ownership Scheme was considered and approved at the 2021 annual general meeting. Therefore, the number of shares that have not been vested under the Second Phase Ownership Scheme was 0 share at the Beginning of the Reporting Period. As of 12 August 2022, the Second Phase Ownership Scheme purchased a total of 2,057,711 A Shares of the Company by means of centralized bidding transactions with transaction amount of RMB64,951,400.

(2) For the details of duration, lock-up period and appraisal indicators, please refer to relevant contents of "Duration and lock-up period" and "Source of funds and assessment indicators for Special Fund" as set out above. The employees of the Company are not required to pay any amount for participating in the Second Phase Ownership Scheme or receiving the distribution income according to the Second Phase Ownership Scheme.

(3) On 11 August 2022 (at the trading day prior to the share being vested), the closing price of the A shares of the Company is RMB31.75 per share.

(4) As at the End of the Reporting Period, a total of 64,965,470 shares have been vested to the Holders. Therefore, the total number of shares that have not been vested under the Second Phase Ownership Scheme was 0 share.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME

(continued)

2. The Second Phase Ownership Scheme (continued)

Shares allocation of Holders (continued)

Among which, the list and shares subscription of the Connected Holders are set out below:

Holders	Positions held with the Company/ subsidiaries of the Company	Shares subscribed (0'000 shares)	Proportion to the total amount of the Second Phase Ownership Scheme
Mr. Tang Yanggang	Executive Director and President	389.7928	6.00%
Mr. Xu Guoxiang	Vice Chairman, Executive Director and Vice President	324.8274	5.00%
Mr. Xu Peng	Vice President	178.6550	2.75%
Mr. Yang Daihong	Vice President	194.8964	3.00%
Ms. Huang Yuxuan	Vice President	227.3791	3.50%
Ms. Si Yanxia	Vice President, Chief Financial Officer	162.4137	2.50%
Mr. Zhou Peng	Vice President	97.4482	1.50%
Mr. Yang Liang	Vice President, Secretary to the Board and Company Secretary	162.4137	2.50%
Mr. Wang Maolin	Chief Supervisor	64.9655	1.00%
Ms. Hou Xuemei ^(note)	Chief Scientist of a subsidiary of the Company	64.9655	1.00%
Directors, general managers and other core management personnel of subsidiaries of the Company (61 persons)		4,628.7897	71.25%

Note: Ms. Hou Xuemei is the spouse of Mr. Tao Desheng, the vice chairman of Company, and therefore is a connected person of the Company.

XXIII. PROFIT DISTRIBUTION PLAN

For 2022 profit distribution plan, please refer to "XVII. PROFIT DISTRIBUTION AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL OF THE COMPANY" in Section IV of the Report for relevant information.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXIV. AUDITORS

During the Year, the financial statements of the Company were audited by Grant Thornton (Special General Partnership), which issued a standard unqualified audit report.

For explanation of changes in accounting policies, accounting estimates and accounting methods as compared with the financial report of the Previous Year, please refer to "CHANGES IN SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD AND CORRECTION OF ACCOUNTING ERRORS" in Section II of the Report for relevant information.

On 20 May 2022, the 2021 annual general meeting of the Company considered and approved to renew the appointment of Grant Thornton (Special General Partnership) as the auditor of the Company for the year 2022. The Company has not changed its auditors in the past three years.

XXV. TAXATION AND TAX RELIEF

Shareholders of the Company are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation. The following cited laws, regulations and stipulations are all relevant provisions which were in issue during the year ended 31 December 2022. Shareholders, if necessary, shall seek professional advice from their tax and legal advisors for advices relating to tax payment or its impacts:

A Shareholders

Pursuant to the requirements of the "Notice on Issues concerning the Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號))" (hereinafter as the "2015 Notice No.101"), where an individual acquires the stocks of a listed company from public offering or through transfer in the stock market, if the stock holding period is over 1 year, income from dividends and bonuses are temporarily exempted from individual income tax; where an individual acquires the stocks of a listed company from public offering or through transfer in the stock market, if the stock holding period is 1 month or less (one month inclusive), income from dividends and bonuses shall be included in the taxable income in full amount; if the stock holding period is more than 1 month up to 1 year (1 year inclusive), income from dividends and bonuses shall be included in the taxable income at the reduced rate of 50% temporarily; Individual income tax on the aforesaid income shall be collected at the uniform rate of 20%. In respect of the issues concerning the implementation of differential individual income tax policies on dividends and bonuses of listed companies, the "Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號))" shall apply. The 2015 Notice No. 101 has been implemented since 8 September 2015. For dividends and bonuses distributed by listed companies for which the registration date of shareholding falls after 8 September 2015, such income from dividends and bonuses shall be treated according to the 2015 Notice No. 101. For shares of the listed companies held by individual investors through his/her securities account as at the implementation date of 2015 Notice No. 101, the stock holding period shall be calculated from the date of acquisition of such shares.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXV. TAXATION AND TAX RELIEF *(continued)*

A Shareholders *(continued)*

According to Article 26 of Chapter IV of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) amended by the Presidential Decree No. 64, dividends, bonus and other equity investment income between qualified resident enterprises obtained by enterprises are tax-free income, and the aforementioned enterprises are Chinese resident enterprises.

Companies are required to withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the "Notice of the State Administration of Taxation Concerning the Relevant Questions on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII" (Guo Shui Han [2009] No. 47) (《國家稅務總局關於中國居民企業向 QFII 支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47 號))" for shareholders who are Qualified Foreign Institutional Investors (QFII). Shareholders who wish to enjoy tax concessions under tax treaties (arrangements) shall apply to the competent taxation authority for tax rebates according to the relevant rules and regulations after they received the dividends and bonuses.

In accordance with the "Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) (《財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127 號))", for dividends received by investors (including enterprise and individual investors) in the Hong Kong market from investing in A shares listed on the Shenzhen Stock Exchange, and before Hong Kong Securities Clearing Company Limited is able to furnish China Securities Depository and Clearing Co., Ltd. ("CSDCC") with the identity, holding period and other detailed data of the investors in the Hong Kong market, the differentiated tax treatment based on the holding period of shares will not be implemented temporarily. The Company shall withhold income tax at the rate of 10% and make withholding filings with the relevant tax authorities. For those investors who are tax residents of other countries and the tax rate applicable to dividends is lower than 10% under the tax treaty between China and the relevant countries, such investors may, by themselves or request the withholding agent to act on their behalf to, apply to the relevant tax authorities in respect of the Company for the refund of the overpaid taxes under the relevant tax treaty treatments. Once verified by the relevant tax authorities, the amount being the difference between the tax withheld and the tax calculated at the rate as prescribed under the corresponding tax treaty shall be refunded.

H Shareholders

In accordance with the "Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》)" (the "CIT Law") and the "Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》)" (the "Implementation Rules of CIT Law"), both became effective on 1 January 2008, and the "Notice on Issues Relevant to the Withholding of Enterprise Income Tax on Dividends Paid by PRC Resident Enterprises to Offshore Non-resident Enterprise Holders of H Shares (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外 H 股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897 號))" promulgated by the State Administration of Taxation on 6 November 2008, the Company is obliged to withhold and pay the PRC enterprise income tax on behalf of non-resident enterprise(s) at a tax rate of 10% when the Company distributes any dividends to non-resident enterprise shareholder(s) whose names appear on the register of members for H Shares of the Company. Accordingly, any H Shares which are not registered under the name(s) of individual(s) (which, for this purpose, include H Shares registered under the name of HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups) shall be deemed to be H Shares held by non-resident enterprise shareholder(s), and the PRC enterprise income tax shall be withheld from dividends payable thereon. Non-resident enterprise shareholders may apply for a tax refund for the difference (if any) in accordance to relevant tax laws such as tax treaty (arrangement).

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXV. TAXATION AND TAX RELIEF *(continued)*

H Shareholders *(continued)*

In accordance with the “Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020 號))” promulgated by the Ministry of Finance and the State Administration of Taxation on 13 May 1994, overseas individuals are temporarily exempted from the PRC individual income tax for dividends or bonuses received from foreign invested enterprises. As the Company is a foreign-invested enterprise, the Company will not withhold and pay the individual income tax on behalf of overseas individual shareholders whose names appear on the register of members for H Shares of the Company when the Company distributes dividends to those shareholders.

In accordance with the “Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) (《財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127 號))”, (i) for dividends received by domestic individual investor from investing in the Company’s H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the Company is obliged to withhold personal income tax at a tax rate of 20% when the Company shall apply to China Securities Depository and Clearing Corporation Limited (“CSDCC”) for the registrar of domestic individual investors. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds through the Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements; (ii) for dividends received by domestic enterprise investors from investing in Shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, such amount shall be reckoned in their gross revenue and subject to corporate income tax pursuant to laws. In particular, for the dividends obtained by mainland resident enterprises from holding relevant H Shares for consecutive 12 months, the corporate income taxes shall be exempted pursuant to laws. The Company shall apply to CSDCC for the registrar of domestic enterprise investors. The Company will not withhold the income tax on dividends for the domestic enterprise investors, and the tax payable shall be declared and paid by the domestic enterprise investors.

XXVI. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS AND THEIR INTERESTS IN THE CONTRACTS

Each of the Directors and Supervisors has entered into a respective Director and Supervisor service contract with the Company. Contents of such contracts are the same in all material respects. The service contracts of the Directors and Supervisors will expire upon the expiry of the term of the tenth session of the Board in place (i.e. 30 June 2023). Save for the aforesaid service contracts, no service contract that cannot be terminated within one year without payment of compensation (other than statutory compensation) has been or proposed to be entered into between the Company and the Directors or the Supervisors.

Save for the aforesaid service contracts and matters disclosed in the Report, none of the Directors or Supervisors (or any entities connected with them) of the Company had a material interest, whether direct or indirect, in any other transactions, arrangements or contacts of significance which had been entered into by the Company, any of its subsidiaries, or its holding company or the holding company’s subsidiaries for the year ended 31 December 2022.

XXVII. ARRANGEMENT OF PURCHASING SHARES OR BONDS BY DIRECTORS

Save for the 2018 Share Options Incentive Scheme and the 2022 Share Options Incentive Scheme, the Company or its subsidiaries or the holding company of the Company or its subsidiaries did not enter into any arrangement at any time during the Year that enabled the Directors, Supervisors and senior management of the Company to acquire benefits by means of purchasing shares or bonds of the Company or any other corporation.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXVIII. PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company and the laws applicable in China where the Company was incorporated.

XXIX. CHARITABLE DONATION

During the Year, the expenditure of charitable donation of the Group amounted to RMB9.98 million (2021: RMB19.45 million).

XXX. LIST OF DIRECTORS AND SUPERVISORS OF THE COMPANY DURING THE YEAR AND UP TO THE DATE OF THE REPORT

The Board of the Company consists of eleven Directors, including two executive Directors, four non-executive Directors and five independent non-executive Directors.

Executive Directors

Mr. Tang Yanggang (唐陽剛先生) (President)
Mr. Xu Guoxiang (徐國祥先生) (Vice Chairman and Vice President)

Non-executive Directors

Mr. Zhu Baoguo (朱保國先生) (Chairman)
Mr. Tao Desheng (陶德勝先生) (Vice Chairman)
Mr. Qiu Qingfeng (邱慶豐先生)
Mr. Yu Xiong (俞雄先生)

Independent non-executive Directors

Mr. Bai Hua (白華先生)
Mr. Tian Qiusheng (田秋生先生)
Mr. Wong Kam Wa (黃錦華先生)
Mr. Luo Huiyuan (羅會遠先生)
Ms. Cui Lijie (崔麗婕女士)

The Supervisory Committee of the Company comprises three Supervisors. As at the disclosure date of the Report, the Supervisors of the Company are as follows:

Mr. Wang Maolin (汪卯林先生) (Chief Supervisor)
Mr. Huang Huamin (黃華敏先生)
Mr. Tang Yin (湯胤先生)

By order of the Board

Zhu Baoguo

Chairman

30 March 2023

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

I. BASIC CORPORATE GOVERNANCE

During the year ended 31 December 2022, in strict accordance with the Company Law, the Securities Law, the Guidelines for Corporate Governance of Listed Companies, the Shenzhen Listing Rules, the Guideline No.1 on Self-Discipline Supervision of Companies Listed on the Shenzhen Stock Exchange – Standardized Operation of Companies Listed on the Main Board of the Shenzhen Stock Exchange, the Hong Kong Listing Rules and other requirements of normative documents relating to the governance of listed companies announced by the CSRC, the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, the Company constantly enhances the corporate governance structure and strengthens the internal control systems of the Company to achieve higher corporate governance standards. The Board believed that the actual conditions of corporate governance of the Company are compliant with the rules and requirements of normative documents including the Guidelines for Corporate Governance of Listed Companies without deviation.

During the Year, the decision-making and supervisory organs of the Company including the general meetings, the Board, and the Supervisory Committee, have all carried out management, decision-making and supervision strictly pursuant to the requirements of normative operation rules and internal control, with standardized and effective operation. The special committees of the Board have all performed their corresponding duties.

Any significant difference between the corporate governance of the Company and the standards of normative documents regarding corporate governance of listed companies issued by CSRC

Yes No

II. INDEPENDENCE OF THE COMPANY FROM ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS IN RESPECT OF ASSET, PERSONNEL, FINANCE, ORGANISATION AND BUSINESS

The Company is completely independent from its controlling shareholders in respect of business, personnel, asset, organizational structure and finance.

1. In respect of asset, the ownership of property between the Company and controlling shareholders is clear. The Company has the ownership of property completely and independently;
2. In respect of personnel, the Company's labor, personnel and salary management are completely separated from its controlling shareholders;
3. In respect of finance, the Company has independent financial management department and financial accounting system, which are strictly separated from controlling shareholders;
4. In respect of institution, the Company has independent and complete organization, which is strictly separated from controlling shareholders;
5. In respect of business, the Company has independent and complete business and self-management ability, and owns independent production, procurement and sales system, which is strictly separated from its controlling shareholders.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

III. COMPETING BUSINESS

Applicable Not applicable

On 10 January 2014, for the purposes of advancing the implementation of the Company's B-to-H Share Conversion, Mr. Zhu Baoguo (the de facto controller of the Company), Ms. Liu Guangxia and Joincare (the controlling Shareholder of the Company) and its controlling shareholder, namely Baiyeyuan (collectively the "Covenantors") entered into the non-competition undertakings letter, the details of which are set out in the section headed "FULFILLMENT OF UNDERTAKINGS" of this Report. The Covenantors have provided confirmations concerning their compliance with the terms of the non-competition undertaking letter, details are as follows:

Each of the Covenantors hereby confirmed that since the date of the non-competition undertaking letter (i.e. 10 January 2014) and up to 31 December 2022, each of the Covenantors and the companies under his/her/its control (other than the Company and its subsidiaries) have strictly complied with and enforced the terms of the non-competition undertaking without breaching any terms of the non-competition undertaking letter under any circumstances.

Independent Directors of the Company also conducted review on the performance of the non-competition undertaking by the Covenantors, and concluded that the Covenantors had complied with the "non-competition undertaking letter". Save as disclosed in this Report, none of the Directors has interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

IV. ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETING CONVENED DURING THE YEAR

1. General Meetings during the Year

Meeting	Type of meeting	Participation Percentage of Investors	Date of meeting	Disclosure date of A Shares	Meeting resolutions
2021 annual general meeting	Annual general meeting	50.4765%	20 May 2022	21 May 2022	Consideration and approval of the resolutions including the Work Report of the Board for the Year 2021, the Work Report of the Supervisory Committee for the Year 2021, the 2021 Annual Report of Livzon Pharmaceutical Group Inc. (full text and summary) and the 2021 Annual Profit Distribution Plan
2022 first class meeting of A Shareholders	Class meeting	42.9720%			
2022 First class meeting of H Shareholders	Class meeting	65.6144%			
2022 first extraordinary general meeting	Extraordinary general meeting	49.6606%	8 July 2022	9 July 2022	Consideration and approval of the Resolution on Revision to the Second Phase Ownership Scheme and its Summary under the Medium to Long-term Business Partner Share Ownership Scheme of the Company, and the Resolution on Revision to the Administrative Measures of the Second Phase Ownership Scheme under the Medium to Long-term Business Partner Share Ownership Scheme of the Company
2022 second extraordinary general meeting	Extraordinary general meeting	49.4470%	14 October 2022	15 October 2022	Consideration and approval of the resolutions including the Resolution on 2022 Share Options Incentive Scheme of the Company (Revised Draft) and its Summary
2022 second class meeting of A Shareholders	Class meeting	41.5092%			
2022 second class meeting of H Shareholders	Class meeting	65.4663%			

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

IV. ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETING CONVENED DURING THE YEAR *(continued)*

1. General Meetings during the Year *(continued)*

Meeting	Type of meeting	Participation Percentage of Investors	Date of meeting	Disclosure date of A Shares	Meeting resolutions
2022 third extraordinary general meeting	Extraordinary general meeting	49.7712%	25 October 2022	26 October 2022	Consideration and approval of the Resolution on
2022 third class meeting of A Shareholders	Class meeting	42.0952%			Repurchase of Part of the Company's A Shares Scheme
2022 third class meeting of H Shareholders	Class meeting	65.2625%			
2022 fourth extraordinary general meeting	Extraordinary general meeting	49.7870%	6 December 2022	7 December 2022	Consideration and approval of the resolutions including the Resolution on Increase of the Registered Capital of the Company and the Resolution on Amendments to the Articles of Association of the Company

2. Shareholders of Preference Shares with Resumed Voting Rights Requesting to Hold Extraordinary General Meeting

Applicable Not applicable

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES

1. Corporate Governance Culture

The Company is committed to ensuring that its business is conducted with high standards of business ethics, reflecting the Company's belief in integrity, transparency and accountability for accomplishing its long-term business objectives. The Company believes that this approach will maximize the return to its shareholders in the long run and benefit its employees, business partners and the communities in which the Company operates.

Corporate governance involves the processes by which the Board guides the management of the Group on how to operate its business to achieve its business objectives. The Board is committed to maintaining and establishing sound corporate governance practices to ensure:

- (1) sustainable returns to all shareholders of the Company;
- (2) protection of the interests of institutions/individuals that have business dealings with the Company;
- (3) understanding and appropriate management of the operating risks within each business segment;
- (4) provision of high-quality products and services to the satisfaction of patients; and
- (5) maintenance of high business ethics standards.

2. Compliance with the Corporate Governance Code

The Board of the Company regularly monitored and reviewed the progress of the Group's corporate governance practices to ensure compliance with the relevant codes. The Company adopts the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules as its corporate governance code.

The Company confirmed that during the period from 1 January 2022 to 31 December 2022, the Company strictly and fully complied with the governance principles and the code provisions (the "Code Provisions") as set out in Part 2 of the Corporate Governance Code of Appendix 14 of the Hong Kong Listing Rules.

3. Securities Transactions of Directors and Supervisors

The Company has adopted the Model Code as set out in Appendix 10 of the Hong Kong Listing Rules as its own Model Code regarding the securities transactions in the H Shares of the Company by the Company's Directors, Supervisors and the "Relevant Employees" as defined in the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules. After making due and specific enquiries to all of the Directors and Supervisors of the Company, the Company was not aware of any information which has reasonably revealed that each of the Directors and Supervisors has not complied with the standards required by the above-mentioned code during the period from 1 January 2022 to the disclosure date of this Report. All Directors and Supervisors have confirmed that they have complied with the standards as set out in the above codes during the period from 1 January 2022 to the disclosure date of this Report. The Company has also made specific enquiry to all of the employees in respect of compliance to the standards set out in the above-mentioned code by the employees, and note that there has been no incident of non-compliance with the standards as set out in the above-mentioned code.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)*

4. Duties of the Board and Management

The Board is responsible for leading and monitoring the Company, and is wholly responsible for the administration and supervision of the Company's businesses to facilitate its success. Executive Directors or senior executives and management in charge of each division and function are authorized to be responsible for the daily operation and administrative management of the Company. Directors of the Company shall act objectively and make decisions in the interests of the Company. The management and senior management of the Company hold regular meetings with the Board to discuss the ordinary business operations and performance of the Company, and carry out the relevant decisions of the Board. The Company will arrange independent professional advice upon the request from the Directors or any committees of the Board, if the Board or any committees of the Board consider it is necessary to seek for independent professional advice.

The members of the Board of the Company are elected at and accountable to the general meetings, and shall exercise the following authority and powers: (1) to convene general meetings and report to the meetings; (2) to implement the resolutions passed at general meetings; (3) to determine the Company's business plans and investment schemes; (4) to prepare the Company's annual financial budget and final accounts; (5) to formulate the Company's profit distribution plan and loss recovery plan; (6) to formulate proposals for increases or reductions of the Company's registered capital and for the issuance and listing of corporate bonds or other securities; (7) to draft plans for material acquisition, acquisition of the shares of the Company under the circumstances as required in (i) and (ii) of the first paragraph of Article 28 of the Articles of Association, merger, division, dissolution or change in corporate form; (8) to determine the acquisition of the shares of the Company under the circumstances as required in (iii) to (vii) of the first paragraph of Article 28 of the Articles of Association within the authorization of the general meeting; (9) save as otherwise provided by the securities regulatory authorities and the stock exchanges where the shares of the Company are listed, to determine matters relating to the Company's external investment, asset acquisition and disposal, asset mortgage, external guarantee, entrusted wealth management, connected transaction and external donation within the authorisation of the general meeting; (10) to determine the establishment of the Company's internal management structure; (11) to decide to appoint or dismiss the Company's President, the secretary of the Board and other senior officers, and to determine their remunerations, rewards and penalties; and pursuant to the president's nominations, to determine the appointment or dismissal of senior officers including vice presidents and chief financial officer of the Company and to decide on their remuneration, rewards and penalties; (12) to formulate the Company's basic management system; (13) to formulate the proposed amendments to the Articles of Association; (14) to deal with information disclosures of the Company; (15) to propose to the general meeting for appointment or replacement of the accounting firms serving as the auditors of the Company; (16) to receive work report submitted by the president and to review his performance; (17) to exercise other duties and powers specified in the laws, regulations or the Articles of Association and authorized by the general meetings.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)*

4. Duties of the Board and Management *(continued)*

The Board is responsible for performing the functions set out in the code provision A.2.1 of the Corporate Governance Code to ensure that the Company establishes good corporate governance policies, practices and procedures. During the Year, the Board:

- (1) formulated and reviewed the Company's policies and practices on corporate governance;
- (2) reviewed and monitored the training and continuous professional development of Directors and senior management;
- (3) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- (4) formulated, reviewed and monitored the code of conduct and compliance manual of Directors and employees; and
- (5) reviewed the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

As at the disclosure date of this Report, the Board of the Company has a total of eleven members, of which two executive Directors are Tang Yanggang (President) and Xu Guoxiang (Vice Chairman and Vice President); four non-executive Directors are Zhu Baoguo (Chairman), Tao Desheng (Vice Chairman), Qiu Qingfeng and Yu Xiong; and five independent non-executive Directors are Bai Hua, Tian Qiusheng, Wong Kam Wa, Luo Huiyuan and Cui Lijie. For details of the biographies of the above Directors, please refer to "XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT" of Section IV of this Report.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)*

4. Duties of the Board and Management *(continued)*

During the Year, the Company convened a total of fifteen Board meetings and eleven general meetings. Attendance of the Directors of the Company is as follows:

Name	Position	Attendance of relevant meetings during their term of office/Number of relevant meetings held during their term of office	
		Board meetings	General meetings (including class meetings)
I. Executive Directors			
Tang Yanggang	Director and President	15/15	7/11
Xu Guoxiang	Vice Chairman and Vice President	15/15	9/11
II. Non-executive Directors			
Zhu Baoguo	Chairman	15/15	6/11
Tao Desheng	Vice Chairman	15/15	8/11
Qiu Qingfeng	Director	15/15	11/11
Yu Xiong	Director	15/15	11/11
III. Independent Non-executive Directors			
Bai Hua	Independent Director	15/15	8/11
Tian Qiusheng	Independent Director	15/15	7/11
Wong Kam Wa	Independent Director	15/15	10/11
Luo Huiyuan	Independent Director	15/15	10/11
Cui Lijie	Independent Director	15/15	7/11

In addition to the above fifteen Board meetings, the chairman also held one meeting with independent non-executive Directors of the Company during the Year.

Save as disclosed in biographies of Directors of the Company set out in this Report, there is no financial, business or family relationship or material/relevant relationship between the members of the Board.

Prior notices are given for meetings convened during the Year in accordance with relevant requirements to ensure all Directors have the opportunity to attend meetings and propose matters for discussion to be incorporated into agenda. All of the Directors may obtain opinions and services from the secretary to the Board to ensure compliance with Board procedures and all applicable rules and regulations. The Company has purchased liability insurances for Directors, Supervisors and senior management.

The Board possesses the skills, experience and diversity of views and perspectives appropriate to and required by the Company's business and regularly reviews the performance of the Directors to ensure that every Director is able to devote sufficient time and contribution to the Company in accordance with his/her role and Board responsibilities. The Board has a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors), so the Board is highly independent and able to make effective independent judgements.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)*

4. Duties of the Board and Management *(continued)*

Training and professional development: Every newly appointed director will receive a formal, comprehensive and tailored induction on appointment to ensure that he has a proper understanding of the Company's operations and business and is fully aware of his duties and responsibilities under the Hong Kong Listing Rules and relevant statutory provisions. The Company arranged for Directors to participate in professional training organized by the CSRC and the Shenzhen Stock Exchange from time to time for obtaining training qualification certificates or qualification certificates recognized by relevant authority, and regularly provide all Directors with relevant updates on regulations, industry information and Directors' duties. Meanwhile, Directors are encouraged to participate in courses and lectures organized by professional institutions to enhance the Directors' continuous professional development and further education and update their knowledge and skills. All Director have provided records of training they have taken during the year ended 31 December 2022 and attended trainings rendered by professional groups and/or learned materials about their duties and responsibilities.

	Continuous professional development of Directors	
	Attending professional training/courses/lectures	Reading books and materials
Executive Directors		
Tang Yanggang	✓	✓
Xu Guoxiang	✓	✓
Non-executive Directors		
Zhu Baoguo	✓	✓
Tao Desheng	✓	✓
Qiu Qingfeng	✓	✓
Yu Xiong	✓	✓
Independent Non-executive Directors		
Bai Hua	✓	✓
Tian Qiusheng	✓	✓
Wong Kam Wa	✓	✓
Luo Huiyuan	✓	✓
Cui Lijie	✓	✓

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)*

5. Chairman and President

The positions of the chairman (the chairman of the Board) and the president (the chief executive officer) of the Company are held by different persons and there is a clear division of work between the two roles. The chairman of the Company is Mr. Zhu Baoguo and the president of the Company is Mr. Tang Yanggang.

The chairman of the Board mainly exercises the following duties and powers: to preside over general meetings and to convene and preside over Board meetings; to supervise and monitor the implementation of resolutions of Board meetings; to sign share certificates, debentures and other quoted securities of the Company; to sign important documents of the Board and other documents which should be signed by the Company's legal representative; to exercise the authority and powers of a legal representative; to exercise special discretionary power on corporate affairs in accordance with laws and in the Company's interests in case of emergency situations such as the occurrence of natural disasters of an exceptional scale and other force majeure events, and provide aftermath reports to the Board and general meetings; and to perform other duties and powers authorized by the Board.

The president, i.e. the chief executive officer (CEO), shall be accountable to the Board and exercises the following duties and powers: to be in charge of the production, operation and management of the Company, to organize and implement the resolutions adopted by the Board, and to report his work to the Board; to organize and implement the annual business plans and investment plans of the Company; to draft schemes for the establishment of the Company's internal management departments; to formulate the basic management system of the Company; to formulate the detailed rules and regulations of the Company; to make proposals regarding the appointment or removal of the vice president and chief financial officers of the Company; to appoint or remove managerial officers other than those to be appointed or removed by the Board; and to perform other duties and powers authorized by the Articles of Association or the Board.

6. Independent Non-Executive Directors

The Board comprises of five independent non-executive Directors, in compliance with the minimum requirement under the Hong Kong Listing Rules in relation to the number of independent non-executive Directors. Mr. Bai Hua, an independent non-executive Director, has appropriate accounting and financial management expertise, which is in compliance with the requirements under Rule 3.10 of the Hong Kong Listing Rules. For the biography of Mr. Bai Hua, please refer to "XIII. Positions Held by Directors, Supervisors and Senior Management" of Section IV of this Report. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

7. Directors' Term of Office

According to the Articles of Association, all Directors of the tenth session of the Board (including non-executive Directors) are elected at general meetings with a term of three years from 30 June 2020 to 30 June 2023. Directors can be re-elected upon expiration of the term, provided that no term of office of independent non-executive Directors shall last for more than six years.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)*

8. Directors' Responsibility for the Financial Statements

The Directors acknowledged their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company. The Directors believed that the Company had adopted and applied consistently appropriate accounting policies in preparing the financial statements in compliance with all related accounting standards.

9. Special Committees of the Board

Pursuant to the Corporate Governance Code, three committees are set up under the Board, namely the Audit Committee, the Remuneration and Assessment Committee, and the Nomination Committee, so as to oversee specific scopes concerning the state of affairs of the Company. Each of the Board committees has specific term of reference in writing. The written term of reference for each of the Board committees are published on HKEXnews and Company's website. Apart from the requirements under the Hong Kong Listing Rules and the Corporate Governance Code, the Company has also established the Strategy Committee in order to monitor the Company's long-term development strategic plan, conduct research and give recommendations thereon, and has established the Environmental, Social and Governance ("ESG") Committee (the "ESG Committee") to promote the development and implementation of ESG affairs of the Group.

Audit Committee

The Audit Committee under the tenth session of the Board comprises three independent non-executive Directors of the Company. The chairman of the committee is Mr. Bai Hua and other committee members are Mr. Tian Qiusheng and Mr. Luo Huiyuan. Mr. Bai Hua has appropriate accounting and financial management expertise as required under Rule 3.10 of the Hong Kong Listing Rules. The key responsibilities of the Audit Committee are to review the Company's financial reports; to review the Company's financial control system, risk management system and internal control system; to study the Company's relationships with external auditors and consider the annual audit plans submitted by external auditors; and to review the Company's arrangements for its employees to raise concerns in confidence about possible improprieties in financial reporting, internal control or other aspects.

During the Year, the Audit Committee had discussed the Group's annual, interim and quarterly financial statements, reviewed the accounting principles and practices, internal supervision system and considered audit conducted and fees charged by auditor. On 28 March 2023, the Committee reviewed the 2022 Self-Evaluation Report on Risk Management and Internal Control.

During the Year, seven meetings were convened by the Audit Committee, details were as follows:

- (1) On 11 January 2022, the ninth meeting of the Audit Committee of the tenth session of the Board was held by way of telecommunication, during which the Resolution on the 2021 Financial Audit Plan of Livzon Pharmaceutical Group Inc. was considered and approved.
- (2) On 7 March 2022, the tenth meeting of the Audit Committee of the tenth session of the Board was held by way of telecommunication, during which the Resolution on Consideration of the 2021 Audit Report (Draft) and the Resolution on Consideration of the 2021 Final Financial Report were considered and approved.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)*

9. Special Committees of the Board *(continued)*

Audit Committee *(continued)*

- (3) On 18 March 2022, the eleventh meeting of the Audit Committee of the tenth session of the Board was held by way of telecommunication, during which the Resolution on Consideration of the 2021 Audit Report, the Resolution on Consideration of the 2021 Results Announcement and the Annual Report (Draft), the Resolution on Consideration of Continuing Related Transactions, the Resolution on Consideration of the 2021 Self-Evaluation Report on Risk Management and Internal Control, the Resolution on Reviewing the Arrangements for Concerned by Employees for Inappropriate Acts, the Resolution on Consideration of the Evaluation Report on the Audit Work Carried Out by Grant Thornton (Special General Partnership) for the year 2021 and the Resolution on Considering the Re-appointment of Grant Thornton (Special General Partnership) as the Audit Firm of the Company for the year 2022 were considered and approved.
- (4) On 21 April 2022, the twelfth meeting of the Audit Committee of the tenth session of the Board was held by way of telecommunication, during which the Resolution on the Unaudited Consolidated Financial Statements and the Quarterly Results Announcement for Three Months Ended 31 March 2022 of the Company and its Subsidiaries was considered and approved.
- (5) On 8 August 2022, the thirteenth meeting of the Audit Committee of the tenth session of the Board was held by way of telecommunication, during which the Unaudited Interim Report, Interim Results Announcement and Financial Report for the Six Months Ended 30 June 2022 of the Company, the Resolution on Continuing Related Transaction of the Company for the First Six Months of 2022 and the Special Report on Deposit and the Actual Use of the Fund Raised by the Company for the First Six Months of 2022 were considered and approved.
- (6) On 25 October 2022, the fourteenth meeting of the Audit Committee of the tenth session of the Board was held by way of telecommunication, during which the Resolution on Consideration of the Unaudited Consolidated Financial Statements and the Quarterly Results Announcement for Nine Months Ended 30 September 2022 of the Company and its Subsidiaries was considered and approved.
- (7) On 29 December 2022, the fifteenth meeting of the Audit Committee of the tenth session of the Board was held by way of telecommunication, during which the Resolution on Amendment to the Measures for Tip-off and Complaint Management of Livzon Pharmaceutical Group Inc. was considered and approved.

Remuneration and Assessment Committee

The Remuneration and Assessment Committee under the tenth session of the Board is comprised of three independent non-executive Directors. The chairman of the committee is Mr. Tian Qiusheng and other committee members are Ms. Cui Lijie and Mr. Bai Hua. The member composition is in compliance with the requirements under Rule 3.25 of the Hong Kong Listing Rules. The key responsibilities of the Remuneration and Assessment Committee are to assess and review and advise the Board on the remuneration packages for and the performance of the chairman of the Board, executive Directors and senior management of the Company, and to make recommendations to the Board on the policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, so as to ensure that any Director or any of their associates shall not be involved in fixing their remuneration and related matters.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)*

9. Special Committees of the Board *(continued)*

Remuneration and Assessment Committee *(continued)*

During the Year, the Remuneration and Assessment Committee held two meetings to consider matters on assessing, reviewing and making recommendations to the Board on remuneration, remuneration policy and framework of the Directors and senior management of the Company (including president and vice president) and the interests of the Company as a whole and 2022 Share Options Incentive Scheme. The share option incentive plan of the Company does not grant options or awards to Directors and senior management as specified in Rule 17.06B (7) and (8) of the Hong Kong Listing Rules (vesting period of less than 12 months or without performance targets and/or claw-back mechanism)

Details in relation to remuneration of the senior management are disclosed in “Note X. 5. Related Transactions” of the financial report in this Report.

Nomination Committee

The Nomination Committee under the tenth session of the Board is comprised of three Directors. The chairman of the committee is Mr. Luo Huiyuan (independent non-executive Director) and other committee members are Mr. Tian Qiusheng (independent non-executive Director) and Mr. Tao Desheng (non-executive Director). The member composition is in compliance with the requirements under Rule 3.27A of the Hong Kong Listing Rules. The key responsibilities of the Nomination Committee are to review the structure, number of members and composition of the Board (in respect of various areas including gender, ages, cultural and education background, skills, knowledge and experience); to study the criteria and procedures for selection and appointment of Directors and senior management, and to make recommendations thereon to the Board; to advise the Board on the appointment or re-appointment of Directors and succession plan for Directors (particularly the chairman and the president); and to evaluate the independence of independent non-executive Directors.

During the Year, the Nomination Committee held a meeting to review the Board Diversity Policy and monitoring its implementation, assess independence of the independent non-executive Directors, review the structure, number of members and composition of the Board and make recommendations on its size and composition.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)*

9. Special Committees of the Board *(continued)*

Nomination Committee *(continued)*

The Nomination Committee has adopted a set of nomination procedures and adopted the Director Nomination Policy on 19 November 2018. The Nomination Committee may search extensively for candidates for Directors and senior management from the Company, its subsidiaries or participating stock companies and the job market, and in accordance with the relevant laws and regulations, the Director Nomination Policy and the relevant provisions of the Articles of Association, coupled with the Company's actual circumstances, the Nomination Committee shall study the election criteria, selection procedures and term of service for Directors and senior management of the Company, and submit the resolution to the Board for approval. The Nomination Committee may select candidates for Directors and senior management of the Company according to their occupations, education, job titles, detailed work experience, their part-time jobs, character and integrity, professional qualifications, independence, diversity, the time which they are willing and able to devote and the potential contributions which they can bring to the Board, the Company's needs and the statutory requirements, laws and regulations. For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above. For re-election of Directors, the Nomination Committee and/or the Board should review the overall contribution and service to the Company and the level of participation and performance on the Board of the retiring director as well as whether the retiring director to be re-elected continues to meet the criteria as set out above, and make recommendation to shareholders.

According to the Director Nomination Policy, the Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)*

9. Special Committees of the Board *(continued)*

Strategy Committee

The Strategy Committee under the tenth session of the Board is comprised of three Directors. The chairman of the committee is Mr. Zhu Baoguo (non-executive Director) and other committee members are Mr. Tang Yanggang (executive Director) and Mr. Tao Desheng (non-executive Director). The key responsibilities of the Strategy Committee are to conduct research on the Company's long-term development strategy and major investment decisions, and to give recommendations thereon. During the Year, the Strategy Committee did not hold any meetings.

ESG Committee

The ESG Committee under the tenth session of the Board is comprised of five Directors. The chairman of the committee is Mr. Zhu Baoguo (non-executive Director), and other committee members are Mr. Tang Yanggang (executive Director), Mr. Bai Hua, Mr. Tian Qiusheng and Mr. Wong Kam Wa (independent non-executive Directors). The key responsibilities of the ESG Committee are to review the ESG affairs of the Group and report to the Board on such matters, and to perform other responsibilities prescribed from time to time by Shenzhen Listing Rules and Hong Kong Listing Rules.

During the Year, the ESG Committee held five meetings to add environmental management targets for 2022-2025, establish ESG indicators assessment rules for individual performance of ESG working team, review energy conservation and emission reduction in 2021, ESG works in 2021, achievement of environmental management goals in the first half of 2022 and ESG management improvement suggestions for 2022, as well as review and evaluate employee diversity, information and data security, access to health care, TCFD climate risks and opportunities, water resources risk management and other management works.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)*

9. Special Committees of the Board *(continued)*

Attendance of the meetings of Special Committees of the Board

During the Year, attendance of the meetings of special committees of the Board was as follows:

Name	Position	Attendance of relevant meetings during their term of office/ Number of relevant meetings held during their term of office				
		Meetings of Audit Committee	Meetings of Nomination Committee	Meetings of Remuneration and Assessment Committee	Meetings of Strategy Committee	Meetings of ESG Committee
Zhu Baoguo	Non-executive Director and Chairman	N/A	N/A	N/A	0/0	5/5
Tang Yanggang	Executive Director	N/A	N/A	N/A	0/0	5/5
Tao Desheng	Non-executive Director and Vice Chairman	N/A	1/1	N/A	0/0	N/A
Bai Hua	Independent Non-executive Director	7/7	N/A	2/2	N/A	5/5
Wong Kam Wa	Independent Non-executive Director	N/A	N/A	N/A	N/A	5/5
Tian Qiusheng	Independent Non-executive Director	7/7	1/1	2/2	N/A	5/5
Luo Huiyuan	Independent Non-executive Director	7/7	1/1	N/A	N/A	N/A
Cui Lijie	Independent Non-executive Director	N/A	N/A	2/2	N/A	N/A

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V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)*

10. Shareholders Engagement

The Company attaches high importance to its effective communication with shareholders through which the shareholders can conduct clear assessment on the results of the Group, and make inquiries to the Board. Major ways of communication between the Company and shareholders are as follows:

Information disclosure on the Company's website

The Company will use the most comprehensive and timely manner for disclosure of all significant information related to the Group to those who are interested in receiving the Company's information. The Company's website (www.livzon.com.cn) may provide important information related to the Group's activities and corporate issues (such as annual reports and interim reports to Shareholders, announcements, ESG reports, business development and operation, corporate governance practice and other information etc.) available for inspection by Shareholders and other stakeholders. In addition, announcements issued through the Hong Kong Stock Exchange are also available on the Company's website.

Telephone number and email

The Company provides its telephone number (86-756-8135888, 86-756-8135990, 86-756-8135992) and email address (LIVZON_GROUP@livzon.com.cn) to Shareholders for communicating with the Company.

Convening of general meetings

General meetings serve as a useful platform for the Board's direct communication with shareholders. The Company shall submit separate resolutions at the general meeting on substantially different topics for discussion, reserve sufficient time for direct communication and exchange between senior management of the Company and Shareholders who attend the meeting, and answer various inquiries made by Shareholders.

Easy Interactive Platform of the Shenzhen Stock Exchange

The Company collects valuable suggestions about the Company from the general investors through the Easy Interactive Platform of the Shenzhen Stock Exchange, and gives replies in detail to the questions raised by the general investors to the Company on the Easy Interactive Platform.

WeChat Official Account

The WeChat official account "麗珠醫藥" registered by the Company is a convenient gateway for investors to follow the information about the Company. By means of subscribing to the Company's WeChat official account, investors can receive wechat-push released by the account at any time, so as to get relevant information on the Company's daily operation more conveniently and quickly, as well as understand the Company's corporate culture publicity campaign, team building activities, party, work union and youth league organizations and other activities.

Investor Relations Activities

The Company has established a proper communication mechanism with investors, investors can get knowledge of the Company's operation through, among others, specific target research, performance briefings, on-site visits, roadshows and media interviews, and maintain full communication with the Company's management and core technical personnel. For the investor relations activities mentioned above, the Company has maintained written research minutes and made public disclosure through the information disclosure websites designated by the CSRC and the stock exchange.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)*

11. Shareholders' Rights and Shareholders Communication Policy

Procedure for convening general meetings by shareholders

Pursuant to Article 73 of the Articles of Association: "In compliance with the Article 78 herein, shareholders, individually or jointly, holding 10% or more of the Company's shares may request the Board to convene an extraordinary general meeting or a class meeting of Shareholders and to add resolutions to the agenda of the meeting, and such proposals shall be made to the Board in writing. For such proposal, the Board shall, in accordance with laws, administrative regulations and these Articles of Association, make a written response as to whether or not it agrees to convene an extraordinary general meeting or a class meeting of Shareholders, within 10 days upon receipt of such proposal.

If the Board agrees to convene the extraordinary general meeting or class meeting of Shareholders, a notice of such meeting shall be issued within 5 days after the resolution of the Board is passed. Changes made to the original proposal in the notice shall be approved by the relevant Shareholder.

If the Board disagrees to convene the extraordinary general meeting or class meeting of Shareholders, or fails to give a relevant notice within 10 days after the receipt of the request, shareholders, individually or jointly, holding 10% or more of the Company's shares may request the Supervisory Committee to convene an extraordinary general meeting or a class meeting of Shareholders, and such proposals shall be made to the Supervisory Committee in writing.

If the Supervisory Committee agrees to convene the extraordinary general meeting or class meeting of Shareholders, a notice of such meeting shall be issued within 5 days after the receipt of the request. Changes made to the original request in the notice shall be approved by the relevant Shareholder.

If the Supervisory Committee fails to give a relevant notice within the designated period, it shall be deemed that the Supervisory Committee fails to convene and preside over the general meeting. The shareholder(s) continuously holding for 90 days individually or collectively 10% or more of the shares of the Company may convene and preside over the meeting by himself/themselves."

Pursuant to Articles 74, 75 and 76 of the Articles of Association: "If the Supervisory Committee or Shareholder(s) decide(s) to convene the general meeting by itself/themselves, it/they shall issue a written notice to the Board and file with the stock exchange.

Shareholding proportion of the Convening Shareholders who intend to convene a general meeting shall not be less than 10% prior to announcement of the resolution of the general meeting.

The convening Shareholders shall submit the corresponding supporting materials to the stock exchange when issuing the notice of convening a general meeting and declaring the resolution of general meeting.

For general meetings convened by the Supervisory Committee or the Shareholders, the Board and the secretary to the Board shall coordinate accordingly. The Board shall provide the register of members as at the registered date for entitlements of shares.

All necessary expenses incurred by the Supervisory Committee or the Shareholders to convene a general meeting shall be assumed by the Company."

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V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)*

11. Shareholders' Rights and Shareholders Communication Policy *(continued)*

Procedure for delivering Shareholders' inquiries to the Board

Shareholders may, at any time through the Secretary to the Board (Company Secretary), forward their inquiries and matters of concern to the Board of the Company in writing. For contact details of the Secretary to the Board (Company Secretary), please refer to relevant content as set out in "CONTACT PERSONS AND CONTACT DETAILS" of Section II of this Report. The Secretary to the Board (Company Secretary) shall forward Shareholders' inquiries and matters of concern to the Board of the Company and/or relevant committees under the Board (if appropriate), in order to respond to Shareholders' queries.

Procedure for submission of Shareholders' proposals to general meetings

Pursuant to Article 78 of the Articles of Association: "The Board, the Supervisory Committee, and Shareholder(s) individually or jointly holding more than 3% of the Company's shares shall have the right to submit proposed resolutions to the Company for a general meeting of the Company.

The Shareholder(s) individually or jointly holding more than 3% of the Company's Shares may submit extra proposed resolutions in writing to the convener of a general meeting in writing 10 days prior to the meeting. The convener shall issue a supplementary notice of the general meeting and announce the contents of such extra proposed resolutions within 2 days after receipt thereof.

Except as provided by the preceding clause, the convener of a general meeting shall not amend the proposed resolutions set out in the notice of the meeting or add any new proposed resolutions subsequent to the issue of the notice of the general meeting.

Proposals which are not specified in the notice of the general meeting or which do not comply with Article 77 of these Articles of Association shall not be voted and resolved at the general meeting."

Investor relations

The Company serves and visits investors to introduce the business of the Group in a timely manner. In addition, the Company shall promptly answer questions raised by the public and individual Shareholders through calls, interactive platform of the Shenzhen Stock Exchange, etc. Meanwhile, the Company makes timely disclosure of these information on designated websites of the Shenzhen Stock Exchange and Hong Kong Stock Exchange and the website of the Company in strict accordance with the Shenzhen Listing Rules, the Hong Kong Listing Rules and relevant laws and regulations. Under any circumstances, the Company shall adopt prudent attitude to ensure it shall not make selective disclosure of any information that affects share prices.

Management system for the Investor relations

On 7 November 2022, the Board approved the amendment of the Company's Management system for the Investor relations (the "System"). The System standardizes the Company's investor relations management, facilitates effective communication between the Company and shareholders and potential investors. Investors can further understand the Company's production, operation and performance through multiple channels, platforms and methods such as stock exchanges and other regulatory and open interactive communication platforms, which fully protects the right to know and vital interests of all investors.

The Company's shareholders communication policy above can provide a variety of communication channels for shareholders of the Company to express their opinions. During the Year, the Company reviewed the implementation of the shareholders communication policy and confirmed that it was effective. During the Year, the Company held 11 general meetings, 32 investor exchanges and 1 annual report performance briefing.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)*

12. Articles of Association

During the Year, pursuant to the latest provisions of the Guidelines for the Articles of Association of Listed Companies (2022 Revision), Shenzhen Listing Rules, Hong Kong Listing Rules and other regulations, and taking into consideration of the actual conditions of the Company, the Company has made an amendment to the Articles of Association, which has been considered and approved at the 2022 fourth extraordinary general meeting on 6 December 2022, to reflect the level of core shareholder protection set out in Appendix 3 of the Hong Kong Listing Rules and further improve the governance of the Company. For the details of the amendment and Articles of Association, please refer to the announcements dated 7 November 2022, 8 November 2022, 6 December 2022 and 7 December 2022 of the Company published on the Company's website, HKEXnews and Cninfo.

13. The Company's Profit Distribution Policy

The profit distribution policy as required in the Articles of Association is set out as follows:

- (1) The profit distribution of the Company shall focus on providing Shareholders with reasonable investment return as well as the Company's sustainable development, and the Company shall maintain the continuity and stability of the profit distribution policy as much as possible.
- (2) The Company may distribute its profit in the form of cash, shares or a combination of cash and shares or in other ways as permitted by the laws and regulations.
- (3) The Company distributes its profit annually in principle. Nevertheless, interim profit distribution in cash may be made by the Company subject to conditions.
- (4) Subject to the condition that the Company's cash flow could satisfy normal operation and long-term development need, the Company shall implement proactively the cash dividends distribution and shall guarantee that the accumulated profit to be distributed in cash for the latest three years shall not be less than 30% of the average annual distributable profit realized in the latest three years. Particulars of the proportion of profit distributed in cash annually are proposed by the Board in accordance with relevant requirements and the Company's operation of the year, which shall be submitted to the general meeting for approval.

The Company shall, after considering various factors such as the characteristics of the industry where it operates, stage of development, business model, profitability and investment expenses, propose different cash dividend policy based on the following situation according to statutory procedures: (i) If the Company is at a mature stage of development with no significant capital expenditure arrangement at the time of profit distribution, cash dividend payout ratio of such profit distribution shall be at least 80%; (ii) If the Company is at a mature stage of development with significant capital expenditure arrangement at the time of profit distribution, cash dividend payout ratio of such profit distribution shall be at least 40%; and (iii) If the Company is in a growing stage of development with significant capital expenditure arrangement at the time of profit distribution, cash dividend payout ratio of such profit distribution shall be at least 20%.

- (5) The Company may distribute cash dividend, provided that the following conditions are fulfilled: (i) Positive figures are recorded for the distributable profits of the Company (i.e. post-tax profit left after the loss recovery and accrual of the reserves) during the year; and (ii) A standard unqualified audit report is issued by an auditor for the financial report of the Company during the year;

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)*

13. The Company's Profit Distribution Policy *(continued)*

- (6) Conditions for the Company to declare script dividend: subject to the fulfilment of the conditions for declaring cash dividend, if the operating income and net profit of the Company show rapid growth, in addition to propose a cash dividend proposal, the Board of the Company can propose a script dividend proposal if it considers the scale of the share capital and shareholding structure of the Company are reasonable.

14. Diversity

The Company is of the view that the diversity of the Board is one of the essential factors in sustaining the competitive edge of the Company and facilitating the sustainable development of the Company. The Company formulated the Board Diversity Policy (the "Policy"). Under the Policy, when considering the composition of the Board, the Company shall consider various aspects for the Board diversity, including but not limited to gender, age, cultural and educational background, professional qualifications, skills and knowledge etc. On top of the above basis, the Company shall make decisions in accordance with objective conditions such as comprehensive values that the candidates can bring to the business and development of the Company, contributions that the candidates can make to the Board whilst ensuring the diversity of the Board. The Company is committed to ensuring that it has at least one female director on our board in achieving the diversity of the Board in the aspect of gender. In order to ensure the effectiveness of the Policy, the Nomination Committee of the Company will periodically monitor and review the Policy. The Company is of the view that the current composition of the Board is a balanced and diversified mix with ages ranged between 46 and 66. The Board comprises one female director and directors with professional backgrounds including accountants, domestic or overseas lawyers, and individuals with extensive experience in the field of corporate management. The structure of their knowledge and their professional field bring expertise to and complements the Board, and is suitable for the Company's business development.

During the Year, the Company set a diversity target of "having no less than 49% female employees by 2032", continuously optimized the organizational structure of our workforce, guaranteed equal opportunities for women in employment, and promoted diversity and inclusiveness in our business.

As at 31 December 2022, the Board of the Company had a total of 11 members, of which female director accounted for 9%; the executive management of the Company had a total of 8 members, of which 2 were women, representing 25%; female employees and male employees of the Group accounted for 47.50% and 52.50%, respectively. The process of selection of members of the Board and employees continues to be based on merit, with reference to our diversity policy and continues to monitor the diversity degree of members of the Board and employees and make proper adjustments timely.

15. Board Independence Evaluation Mechanism

The Company has established a board independence evaluation mechanism, which provides for the Board to have strong independent elements so as to enable the Board to exercise independent judgement effectively to better protect the interests of Shareholders.

The objectives of the evaluation are to improve the effectiveness of the Board, maximize its strengths and identify areas for improvement or further development. The evaluation process also clearly states that the Company needs to take actions to maintain and improve the performance of the Board, such as the individual training and development needs of each Director.

According to the board independence evaluation mechanism, the Board will conduct an annual review of its independence. A board independence evaluation report will be submitted to the Board, and the Board will discuss the results and plan for improvement together as appropriate.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)*

15. Board Independence Evaluation Mechanism *(continued)*

During the year ended 31 December 2022, each of the Directors has completed the independence evaluation through a separate questionnaire survey. The Company has submitted a board independence evaluation report to the Board and the results of the evaluation are satisfactory.

During the year ended 31 December 2022, the Board has reviewed the implementation and effectiveness of the board independence evaluation mechanism, the results of which are satisfactory.

16. Whistleblowing Policy

The Company has established a whistleblowing policy and system to allow employees and those who have dealings with the issuer to raise any concern regarding any possible improprieties in matters relating to the Company to the Audit Committee in a confidential and anonymous manner. The whistle-blowing policy is available on the Company's website.

17. Anti-corruption policy

The Company has established an anti-corruption policy to prevent improper or fraudulent practices within the Company. The Company has internal reporting channels for employees of the Company to report any improper or fraudulent practices. Employees can also report anonymously to the internal anti-corruption supervision and management department, which is responsible for investigating the reported incidents and taking appropriate measures. The Company will implement anti-bribery and anti-corruption activities continuously to cultivate a culture of integrity and actively provide anti-corruption training and review to ensure the effectiveness of its policies. The anti-corruption policy is available on the Company's website.

VI. AUDITORS' REMUNERATION

As at the End of the Year, Grant Thornton (Special General Partnership) provided to the Group (i) non-annual audit services for the year 2022 at the remuneration of RMB523,000 (tax inclusive), which included review of half-yearly financial statements, capital verification report, etc., and (ii) annual audit services for the year 2022 at the remuneration of RMB2,150,000 (tax inclusive), which included remuneration for auditing the financial statements for the year 2022 and remuneration for internal control audit). Other disclosure of the auditors' remuneration is set out in the "IX. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM" in Section VI of this Report.

VII. COMPANY SECRETARY

The company secretary of the Company is Mr. Yang Liang. Mr. Yang Liang took no less than 15 hours of relevant professional training during the Year.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

VIII. PERFORMANCE OF DUTIES BY THE DIRECTORS DURING THE REPORTING PERIOD

1. Board meetings during the Reporting Period

Meeting sessions	Date of meeting	Disclosure date	Meeting resolutions
Twenty-eighth meeting of the tenth session	28 March 2022	29 March 2022	Consideration and approval of, among others, the Work Report of the President for the year 2021, the Work Report of the Board for the year 2021, the 2021 Annual Profit Distribution Plan and the 2021 Annual Report of Livzon Pharmaceutical Group Inc. (Full Text and Summary)
Twenty-ninth meeting of the tenth session	11 April 2022	12 April 2022	Consideration and approval of, among others, the Resolution on the Second Phase Ownership Scheme under the Medium to Long-term Business Partner Share Ownership Scheme of the Company (Draft) and its Summary
Thirtieth meeting of the tenth session	21 April 2022	N/A	Consideration and approval of the 2022 First Quarterly Report of Livzon Pharmaceutical Group Inc.
Thirty-first meeting of the tenth session	26 May 2022	27 May 2022	Consideration and approval of the 2021 Environment, Social and Governance Report of the Company
Thirty-second meeting of the tenth session	15 June 2022	16 June 2022	Consideration and approval of, among others, the Resolution on Revision to the Second Phase Ownership Scheme under the Medium to Long-term Business Partner Share Ownership Scheme of the Company and its Summary
Thirty-third meeting of the tenth session	9 August 2022	10 August 2022	Consideration and approval of, among others, the 2022 Interim Report of Livzon Pharmaceutical Group Inc. (Full Text and Summary)
Thirty-fourth meeting of the tenth session	29 August 2022	30 August 2022	Consideration and approval of, among others, the 2022 Share Options Incentive Scheme (Draft) and its Summary
Thirty-fifth meeting of the tenth session	14 September 2022	15 September 2022	Consideration and approval of, among others, the Resolution on Repurchase of Part of the Company's A Shares Scheme
Thirty-sixth meeting of the tenth session	21 September 2022	22 September 2022	Consideration and approval of, among others, the Resolution on the 2022 Share Options Incentive Scheme (Revised Draft) and its Summary
Thirty-seventh meeting of the tenth session	28 September 2022	29 September 2022	Consideration and approval of the Resolution on the 2022 Third Extraordinary General Meeting, 2022 Third Class Meeting of A Shareholders and 2022 Third Class Meeting of H Shareholders Convened by the Company
Thirty-eighth meeting of the tenth session	25 October 2022	N/A	Consideration and approval of the 2022 Third Quarterly Report of Livzon Pharmaceutical Group Inc.
Thirty-ninth meeting of the tenth session	7 November 2022	8 November 2022	Consideration and approval of, among others, the Resolution on the Adjustment to the List of Incentive Participants and Number of Share Options under the First Grant of the 2022 Share Options Incentive Scheme
Fortieth meeting of the tenth session	28 November 2022	29 November 2022	Consideration and approval of, among others, the Resolution on the Joint Investments with Controlling Shareholder Joicare and Connected Transactions
Forty-first meeting of the tenth session	12 December 2022	13 December 2022	Consideration and approval of, among others, the Resolution on the Joint Establishment of Joint Venture Company with Controlling Shareholder Joicare and Connected Transactions
Forty-second meeting of the tenth session	29 December 2022	30 December 2022	Consideration and approval of, among others, the Resolution on the Amendment to the Terms of Reference for the Audit Committee of the Board

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

VIII. PERFORMANCE OF DUTIES BY THE DIRECTORS DURING THE REPORTING PERIOD *(continued)*

2. Directors' Attendance at Board Meetings and General Meetings

Directors' Attendance at Board Meetings and General Meetings

Name of Director	Number of Board Meetings required to be attended during the Year	Attendance at Board Meeting(s) in person	Attendance at Board Meetings by telecommunication	Attendance at Board Meeting(s) by proxy	Absence from Board Meeting(s)	Unable to attend in person for two consecutive Board Meetings	Attendance at general meeting(s)
Zhu Baoguo	15	0	15	0	0	No	6
Tao Desheng	15	3	12	0	0	No	8
Xu Guoxiang	15	0	15	0	0	No	9
Tang Yanggang	15	2	13	0	0	No	7
Yu Xiong	15	0	15	0	0	No	11
Qiu Qingfeng	15	0	15	0	0	No	11
Bai Hua	15	0	15	0	0	No	8
Tian Qiusheng	15	0	15	0	0	No	7
Wong Kam Wa	15	0	15	0	0	No	10
Luo Huiyuan	15	0	15	0	0	No	10
Cui Lijie	15	0	15	0	0	No	7

Explanation on the absence from the Board meeting twice in succession

Applicable Not applicable

3. Directors' Objection to Any Matters Related to the Company

Whether there is any objection to the matters related to the Company from the Directors

Yes No

All Directors had no objection to any matters related to the Company during the Reporting Period.

4. Other Explanations about Performance of Duties by Directors

Whether the opinions from the Directors of the Company are adopted

Yes No Not applicable

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

IX. SPECIAL COMMITTEES OF THE BOARD DURING THE REPORTING PERIOD

Name of committee	Members	Number of meetings convened	Date of meeting	Meeting details	Important opinions and recommendations proposed	Other performance of duties	Detailed objections (if any)
Audit Committee	Bai Hua, Luo Huiyuan and Tian Qiusheng	7	11 January 2022, 7 March 2022, 18 March 2022, 21 April 2022, 8 August 2022, 25 October 2022 and 29 December 2022	For details, please refer to the relevant content in "9. Special Committees of the Board" under "V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO THE HONG KONG LISTING RULES" in Section IV of this Report.	No	N/A	N/A
Remuneration and Assessment Committee	Bai Hua, Tian Qiusheng and Cui Lijie	2	29 August 2022 and 30 December 2022		No	N/A	N/A
Nomination Committee	Tao Desheng, Luo Huiyuan and Tian Qiusheng	1	30 December 2022		No	N/A	N/A
Strategy Committee	Zhu Baoguo, Tang Yanggang and Tao Desheng	0	N/A		No	N/A	N/A
ESG Committee	Zhu Baoguo, Tang Yanggang, Bai Hua, Tian Qiusheng and Wong Kam Wa	5	16 March 2022, 22 May 2022, 28 September 2022, 29 November 2022 and 30 December 2022		No	N/A	N/A

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

X. WORK OF THE SUPERVISORY COMMITTEE

The Supervisory Committee of the Company is accountable to all Shareholders, responsible for overseeing the legal compliance of financial matters of the Company as well as performance of responsibilities by Directors, the president and other senior management of the Company, and safeguarding the legal interests of the Company and Shareholders. The Supervisory Committee consists of two Shareholders' representatives and one employee representative of the Company. The positions of Supervisors held by Shareholder' representatives are subject to election and removal at general meetings, and the position of Supervisor held by an employee representative is subject to democratic election and removal by the employees of the Company.

Whether the Supervisory Committee of the Company discovered risks in its supervisory activities during the Year

Yes No

The Supervisory Committee had no objection of the supervisory matters during the Year.

XI. RISK MANAGEMENT AND INTERNAL CONTROL

In 2022, the risk management and internal control of the Company mainly focus on internal environment, risk assessment, control, information and communication and internal supervision. Its scope includes financial control, operational control, compliance control, ESG and other risks control, as well as principal business and major events of the Company and its subsidiaries with a focus on risk management and internal control for high risk areas including fund management, R&D, quality control, asset management, sales, related transactions. It focuses on daily regulated operations, integrity building, prevention and handling of internal and external risk in the operations.

Responsible persons of each department of the Company and its subsidiaries have performed self-assessments and evaluation regarding the specific operating procedures and risk management and internal control within their scope of business in order to ensure compliance of control policies and prepare for the business instruction and inspection from the management departments of the Company. The management of the Company collaborated with department supervisors to assess possibilities of risks so as to provide solutions and oversee the progress of risk management. The management is responsible for monitoring the risk management and internal control and reported to the Audit Committee and the Board on results and effects in relation to the risk management and internal control system during the Year.

The Company has established the department of audit and integrity, which is responsible for the internal audit and integrity building of each department of the Company. The department of audit and integrity carries out audit work in accordance with the audit plan established by the Company, performs audit annually on the risk management, internal control system and financial position of each subsidiary, confirms and assesses the completeness and effectiveness of risk management and internal control system of each subsidiary and continues to supervise and review. In accordance with the audit needs, the Company established an audit team comprising the department of audit and integrity (as the leader) and staff from departments of laws, human resources, finance, engineering center and production technology, in order to carry out a comprehensive internal control and special audit on subsidiaries of the Company, the off office audit and economic responsibility audit for the management staff and recommend remedies for existing problems, organize and complete internal audit correction and self-inspection of the subsidiaries. In 2022, the department of audit and integrity continued to strengthen the special audit of key businesses while fulfilling the Company's comprehensive audit plan, to achieve a full coverage of audit projects and audit matters. The department of audit and integrity shall prepare the comprehensive and special audit reports in accordance with specific audit contents, supervise the remedies of audited departments simultaneously, report to the management of the Company, and the management of the Company shall regularly report to the Audit Committee and the Board on effectiveness of the risk management and internal control system.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XI. RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

According to the requirement of optimizing corporate governance structure and internal control system of the Company, the Company was devoted to strengthening and optimizing risk management and internal control system, and internal audit work was gradually professionalized, formulated and standardized. The Company continued to strengthen the system establishment, build internal audit system which is aligned with the development of the Company, establish risk management procedure and guidance of various terms of reference, amend and optimize relevant audit system, code of conduct for audit personnel, audit standards, audit guidelines, complaints reporting management system and audit files management system. As at 31 December 2022, the department of audit and integrity has completed 36 comprehensive internal control audits, 17 special audits and 5 economic responsibility audits of each subsidiary of the Group. The audit period spanned from 2013 to 2022.

During the Year, the Company has completed the special audit and comprehensive audit of the whole year according to the audit plan, put forward 57 audit recommendations and followed up the formulation and implementation of the audit rectification plan of each secondary company according to the audit recommendations. Through audits and supervision, problems in the internal environment can be understood timely, corporate risks are prevented, corruption in key operations is prevented and organizational goals are promoted.

In 2022, the Group continued to strengthen the procurement management of the assets, standardized procurement business processes, and formulated and strictly implemented corresponding systems. The Company required that the bulk procurement of materials and engineering equipment of each subsidiary should be subject to public bidding, while the Company's legal and compliance head department, production and technology head department and risk management head department shall participate together, perform their supervisory duties and standardize the tendering and procurement process to ensure the implementation of the supervision without vacancy and overstepping. The Group continued to improve the working procedures for tendering, bidding, procurement, supervision and management, as well as the bidding, supervision and management capacity, according to its practical work. The Group conducted audits in advance, maintained strict approval requirements, strengthened the tendering source and process, implemented comprehensive risk management, and adhered to the principal of intervention, control and inspection before, during and after each process. The Group conducted follow-up inspection of the construction process on a quarterly basis, including on-site construction progress and payment, the procurement and use of materials, changes of construction volume, responsibilities of supervisors, and performed random inspection on information such as tendering (procurement) files, contracts and financial payments, so as to ensure the tendering and procurement business in compliance with standards, and being fair and reasonable.

The Group strengthened integrity building, continued to improve internal control and compliance system building and established a sound supervisory system and reporting mechanism. The Group established an anti-corruption control and supervision mechanism and provided for their corresponding responsibilities. The Company encouraged its employees to report violations of law and discipline, improved the reporting and complaint system, refined the complaint and report handling process and set up complaint files. The Company conducted regular internal inspections on, including but not limited to, corporate managers, employees and business partners, to see if there was any non-compliance with law and discipline. The Company formulated an employee code of conduct, which emphasized internal and external anti-corruption awareness and multi-channel promotion of the concept of integrity, accepts the promotion and education of integrity and anti-corruption as a normal practice and enhances employees' awareness of integrity.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XI. RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

The Board has acknowledged that it is responsible for the risk management and internal control systems and reviewing their effectiveness and adequacy, and that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. After review, the Board considered that the risk management and internal control of the Company were effective and sufficient, and has obtained confirmation from the management in respect of the effectiveness and adequacy of risk management and internal control system of the Company.

The inside information of the Group should normally be limited to circulation in relevant departments only. For necessary inside information circulation among the departments of the Company and its subsidiaries, necessary approval procedures are required to be performed by departments of the Company and its subsidiaries and approval from department supervisors are required before the inside information circulates to other departments. The Company should make a truthful and complete record of all relevant insiders involved with reporting, circulation, compiling, review and disclosure of inside information before public disclosure and time for such inside information available to insiders, for enquiry from the Company and regulatory bodies.

The insiders of inside information of the Company shall be obligated to keep inside information confidential. The Directors, Supervisors, the senior management of the Company and relevant insiders shall minimize the number of insiders of inside information before public disclosure through obligatory measures. The Company shall inspect and make penalty decisions to any insider dealer or any suggestion from insiders to utilize inside information in a timely manner, and also file such inspection and penalty results to Guangdong Securities Regulatory Bureau of CSRC and Shenzhen Stock Exchange.

For environmental, social and governance risk management and monitoring, the ESG working group of the Company (comprised of senior management and the general managers of various departments, business units and secondary enterprises) has formulated ESG-related objectives and corresponding implementation initiatives, which are reviewed by the ESG Committee and submitted to the Board for approval, covering key ESG performance indicators such as pollutant emissions, greenhouse gas emissions, resource consumption, safe production, and quality management. The Board regularly reviews the progress towards achieving ESG objectives and recommends actions to be taken on items that require improvement. In order to achieve the objectives, the Company has also formulated and issued an ESG performance appraisal plan to effectively link management remuneration with ESG performance. At the same time, the Board actively participates in stakeholder communication to assess, analyze and prioritize the importance of ESG issues, identify ESG-related issues that have a significant impact on the Group's operations and/or the interests of other key stakeholders, and clarify the focus of ESG risk management efforts. For details, please refer to the Company's 2022 Environmental, Social and Governance Report.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. General

Name	Position	Status of office	Gender	Age	Commencement of term of office	Expiration of term of office	Number of shares held at the Beginning of the Period (shares)	Increase in shareholdings during the Period (shares)	Decrease in shareholdings during the Period (shares)	Other changes (shares)	Number of shares held at the End of the Period (shares)	Reason for changes in shareholdings
Zhu Baoguo	Chairman	Current	Male	60	June 2002	30 June 2023	-	-	-	-	-	N/A
Tao Desheng	Vice Chairman and Non-executive Director	Current	Male	58	August 2014	30 June 2023	733,800	-	-	-	733,800	N/A
Xu Guoxiang	Vice Chairman, Executive Director and Vice President	Current	Male	60	June 2017 and December 2007	30 June 2023	783,800	-	-	-	783,800	N/A
Tang Yanggang	Executive Director and President	Current	Male	53	February 2019 and December 2018	30 June 2023	344,963	-	-	-	344,963	N/A
Qiu Qingfeng	Non-executive Director	Current	Male	51	April 2007	30 June 2023	-	-	-	-	-	N/A
Yu Xiong	Non-executive Director	Current	Male	62	June 2020	30 June 2023	-	-	-	-	-	N/A
Bai Hua	Independent Non-executive Director	Current	Male	53	June 2020	30 June 2023	-	-	-	-	-	N/A
Tian Qiusheng	Independent Non-executive Director	Current	Male	67	October 2019	30 June 2023	-	-	-	-	-	N/A
Wong Kam Wa	Independent Non-executive Director	Current	Male	51	October 2019	30 June 2023	-	-	-	-	-	N/A
Luo Huijuan	Independent Non-executive Director	Current	Male	56	July 2021	30 June 2023	-	-	-	-	-	N/A
Cui Lijie	Independent Non-executive Director	Current	Female	47	July 2021	30 June 2023	-	-	-	-	-	N/A
Wang Maolin	Chief Supervisor	Current	Male	57	June 2014	30 June 2023	-	-	-	-	-	N/A
Huang Huamin	Supervisor	Current	Male	51	June 2013	30 June 2023	-	-	-	-	-	N/A
Tang Yin	Supervisor	Current	Male	48	February 2016	30 June 2023	-	-	-	-	-	N/A
Yang Daihong	Vice President	Current	Male	56	May 2006	30 June 2023	468,979	-	-	-	468,979	N/A
Si Yanxia	Vice President	Current	Female	54	June 2014	30 June 2023	404,423	-	-	-	404,423	N/A
Zhou Peng	Vice President	Current	Male	59	November 2016	30 June 2023	261,204	-	-	-	261,204	N/A
Huang Yuxuan	Vice President	Current	Female	56	October 2018	30 June 2023	135,318	-	-	-	135,318	N/A
Xu Peng	Vice President	Current	Male	66	April 2020	30 June 2023	70,980	-	-	-	70,980	N/A
Yang Liang	Vice President, Secretary to the Board and Company Secretary	Current	Male	39	June 2014 and June 2020	30 June 2023	202,897	-	-	-	202,897	N/A
Total							3,406,364	-	-	-	3,406,364	-

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

2. Whether there is resignation of Directors and Supervisors and Dismissal of senior management during their terms of office during the Reporting Period

Yes No

3. Changes in Directors, Supervisors and Senior Management of the Company

Applicable Not applicable

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Professional background, main working experience and current position in the Company of the current Directors, Supervisors and senior management of the Company are summarized as follows:

1. Brief Biographies of Executive Directors

Mr. Tang Yanggang (唐陽剛), aged 53, is currently our executive Director, the president, a member of the Strategy Committee and the Environmental, Social and Governance Committee and the authorized representative of the Company under Rule 3.05 of the Hong Kong Listing Rules and also serves as a director in other subsidiaries of the Group. Mr. Tang graduated from Sichuan University (四川大學) with a bachelor degree in microbiology in 1992 and is a senior pharmaceutical engineer. In 2008, he joined Xinbeijiang Pharma, where he served as technical director, general manager, chairman of the board and secretary to the party committee. Since July 2015, he has been the chairman of the board of director of Xinbeijiang Pharma. From July 2015 to October 2020, he served as the general manager of the API business department of the Company. He is also a vice president of Qingyuan Federation of Industry and Commerce, a member of the Zhuhai Municipal Political Consultative Conference, vice chairman of Qingyuan Entrepreneur Association, vice chairman of Guangdong Pharmaceutical Association and vice chairman of China Association of Traditional Chinese Medicine. Mr. Tang was the executive vice president of the Company from July to December 2018, and has been the president of the Company since December 2018. Mr. Tang has been the executive Director of the Company since February 2019.

Mr. Xu Guoxiang (徐國祥), aged 60, is currently our executive Director, vice chairman and vice president, and also serves as a director in other subsidiaries of the Group. From November 2010 to November 2011, Mr. Xu attended an advanced EMBA course in the PRC's pharmaceutical industry organized by the Medical School of Peking University (北京大學醫學部) and obtained a completion certificate. From 2000 to 2005, Mr. Xu was a director of Yangtze River Pharmaceutical Co., Ltd. (揚子江製藥股份有限公司). In March 2007, he was the chief sale supervisor of the Company and the general manager of our branch company in Henan Province. Mr. Xu has been the vice president of the Company since December 2007. He has been a director of Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司) since April 2020. He has been a director of Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) since May 2021. He is currently the vice chairman of China Association of Pharmaceutical Commerce, the standing council member of the Chinese Hospital Association, the council member of the Bethune Charitable Foundation and the vice chairman of Guangdong Pharmaceutical Price Association (廣東省醫藥價格協會). Since June 2017, he has been the executive Director of the Company.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

2. Brief Biographies of Non-Executive Directors

Mr. Zhu Baoguo (朱保國), aged 60, is currently the chairman, non-executive Director, the chairman of the Strategy Committee and the Environmental, Social and Governance Committee of the Company, and also serves as a director in other subsidiaries of the Group. Mr. Zhu obtained his bachelor's degree from the school of chemistry of Henan Normal University (河南師範大學) in 1985. Since 2002, Mr. Zhu has been the chairman of the Board and from April 2006 to September 2013, he also served as the president of the Company. Mr. Zhu Baoguo is the founder of Joincare, and is currently the chairman of Joincare. Since November 2014, he has been honorary vice president of Shenzhen General Chamber of Commerce (深圳市工商聯(總商會)). Since December 2012, Mr. Zhu has been a council member and secretary-general of the Nature Conservancy (TNC) Great China Council (大自然保護協會(TNC)大中華理事會). Since April 2015, Mr. Zhu has been the chairman of the Paradise International Foundation (桃花源生態保護基金會). Since May 2021, he has been the independent non-executive director of Central China Management Company Limited (09982.HK). Mr. Zhu Baoguo is the spouse of Ms. Liu Guangxia (劉廣霞女士), one of our controlling shareholders.

Mr. Tao Desheng (陶德勝), aged 58, joined the Company in 1985 and is currently the non-executive Director, vice chairman and a member of the Strategy Committee and the Nomination Committee of the Company, and also serves as a director in other subsidiaries of the Group. Mr. Tao graduated from the school of pharmaceutical chemistry of China Pharmaceutical University (南京藥學院) with a bachelor's degree in science. From 2000 to 2002, Mr. Tao attended a graduate course in enterprise management organized by the School of Business of Sun Yat-sen University (中山大學管理學院). Mr. Tao obtained his license in pharmacist qualification in October 2002 and the title of senior engineer in pharmaceutical manufacturing (professor) in 2013. Mr. Tao was the vice president and president of the Company from June 2005 to March 2014 and from March 2014 to December 2018, respectively. He was our executive Director from July 2009 to December 2018. Mr. Tao has been the vice chairman of the Company since August 2014.

Mr. Qiu Qingfeng (邱慶豐), aged 51, is currently the non-executive Director of the Company. Mr. Qiu obtained his EMBA from China Europe International Business School (中歐國際工商學院) in September 2007. He is a non-practicing member of the Chinese Institute of Certified Public Accountants. Mr. Qiu joined Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司) in 1996. Mr. Qiu has been a director of Joincare since August 2009 and has been a vice president and the chief financial officer of Joincare since November 2020. Mr. Qiu was the Supervisor and the chief Supervisor of the Company from June 2005 to April 2007. Mr. Qiu has been the non-executive Director of the Company since April 2007.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

2. Brief Biographies of Non-Executive Directors *(continued)*

Mr. Yu Xiong (俞雄), aged 62, is currently the non-executive Director of the Company. He is a researcher, Bachelor of Science from Fudan University (復旦大學). In 2004, Mr. Yu completed a short program on modern business management at the Catholic University of Leuven (魯文大學) in Belgium; from July 2005 to January 2006, he had been a senior visiting scholar at California State University, Northridge (美國加州州立大學北嶺分校). He was a director and deputy dean of the Chemistry Department of Shanghai Pharmaceutical Industry Research Institute, deputy dean of China National Pharmaceutical Industry Research Institute. He served as a director of Shanghai Shyndec Pharmaceutical Co., Ltd. (上海現代製藥股份有限公司) (600420.SH), an independent director of Shandong Lukang Pharmaceutical Co., Ltd. (山東魯抗醫藥股份有限公司) (600789.SH), Guangdong Taiantang Pharmaceutical Co., Ltd. (廣東太安堂藥業股份有限公司) (002433.SZ), the Company and Shandong Xinhua Pharmaceutical Co., Ltd. (山東新華製藥股份有限公司) (000756.SZ). He was a general manager and the chairman of Sinopharm Group Yangzhou Weike Biological Engineering Co., Ltd. (國藥集團揚州威克生物工程有限公司). He was a visiting professor at Shanghai Jiao Tong University (上海交通大學), East China University of Science and Technology (華東理工大學) and East China Normal University (華東師範大學). He was a vice president of Joincare from October 2016 to November 2020. He has been the president of Joincare since November 2020. Since August 2021, he has been the director of Joincare. Since May 2018, he has been the director of Shanghai Huatai Investment and Development Co., Ltd. (上海華太投資發展有限公司). He has been the chairman of Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司), a controlling subsidiary of Joincare since November 2018. Since December 2020, he has been the executive director of Guangzhou Joincare Respiratory Drugs Engineering Technology Co., Ltd. (廣州健康元呼吸藥物工程技術有限公司), an invested company of Joincare. He has been an independent director of Jinyao Pharmaceutical Co., Ltd. (津藥藥業股份有限公司) (600488.SH; previously known as Tianjin Tianyao Pharmaceutical Co., Ltd. (天津天藥藥業股份有限公司)) since December 2016. He has been an independent director of Sichuan Biokin Pharmaceutical Co., Ltd. (四川百利天恒藥業股份有限公司) (688506.SH) since September 2019. He also serves concurrently as an honorary director of the Chinese Pharmaceutical Association, an honorary chairman of the Pharmaceutical Engineering Professional Committee, an honorary director of Shanghai Society of Chemistry and Chemical Industry and an adjunct professor of East China University of Science (華東理工大學). Since November 2021, he has been the chairman of Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司). Mr. Yu has been the non-executive Director of the Company since June 2020.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

3. Brief Biographies of Independent Non-executive Directors

Mr. Bai Hua (白華), aged 53, is currently the independent non-executive Director, the chairman of the Audit Committee, a member of the Remuneration and Assessment Committee and the Environmental, Social and Governance Committee of the Company. Mr. Bai Hua is a Chinese Certified Public Accountant (non-practicing). He graduated from the Business School of Wuhan University in 2003 with a doctorate degree in management. He has extensive experience in research and practices of corporate governance, risk management and internal control. He is currently a professor and doctoral tutor of the Accounting Department of the School of Management of Jinan University (暨南大學). He is also a director of the Guangdong Auditing Society and a member of the Publicity Committee of the Guangdong Certified Public Accountants Association. He was an independent director of Youngy Co., Ltd. (融捷股份有限公司) (002192.SZ) from April 2012 to October 2017. He was an independent director of MIG Unmobi Technology Inc. (廣東明家聯合移動科技股份有限公司) (300242.SZ, now renamed as KAISA JiaYun Technology Inc. (廣東佳兆業佳雲科技股份有限公司)) from December 2014 to January 2018. He was an independent director of Guangzhou Echom Science & Technology Co., Ltd. (廣州毅昌科技股份有限公司) (002420.SZ) from October 2013 to October 2019. He was an independent director of Yipinhong Pharmaceutical Co., Ltd. (一品紅藥業股份有限公司) (300723.SZ) from November 2015 to November 2018. He has been an independent director of Shenzhen Expressway Corporation Limited (深圳高速公路集團股份有限公司) (600548.SH, 00548.HK) since February 2018. Since November 2018, he has been an independent director of Guangdong Hongxing Industrial Co., Ltd. (廣東洪興實業股份有限公司) (001209.SZ) (listed on the Shenzhen Stock Exchange on 23 July 2021). Since June 2020, he has been an independent director of Improve Medical Instruments Co., Ltd. (陽普醫療科技股份有限公司) (300030.SZ). Since April 2021, he has been an independent director of Skyworth Digital Co., Ltd. (創維數字股份有限公司) (000810.SZ). Mr. Bai has been the independent non-executive Director, the chairman of the Audit Committee, a member of the Remuneration and Assessment Committee and a member of the Environmental, Social and Governance Committee of the Company since June 2020.

Mr. Luo Huiyuan (羅會遠), aged 56, is currently the independent non-executive Director, a member of the Audit Committee and the chairman of the Nomination Committee of the Company. Mr. Luo graduated from the Law School of Anhui University (安徽大學) and obtained a bachelor's degree in law in 1989. He graduated from the Renmin Law School (中國人民大學法學院) and obtained a master's degree in law in 2000. He is the senior partner of Beijing Hai Run Law Firm (北京海潤天睿律師事務所). He concurrently serves a vice president of Beijing Chaoyang District Lawyers Association (北京市朝陽區律師協會). He was a member of the sixth session of Listed Company Merger and Reorganization Examination Committee of China Securities Regulatory Commission (中國證券監督管理委員會第六屆上市公司併購重組審核委員會) from July 2016 to June 2019. He was an independent director of Suzhou Yangtze New Materials Co., Ltd. (蘇州揚子江新型材料股份有限公司) (002652.SZ) from January 2018 to January 2021. He was a principal of Beijing Hai Run Law Firm (北京海潤天睿律師事務所) from May 2018 to December 2021. He has been an independent director of Tibet Tianlu Co., Ltd. (西藏天路股份有限公司) (600326.SH) from January 2016 to January 2022, an independent director of Shanghai Challenge Textile Co., Ltd. (上海嘉麟傑紡織品股份有限公司) (002486.SZ) since January 2017, an independent director of CNPC Capital Company Limited (中國石油集團資本股份有限公司) (000617.SZ) since April 2017, an independent director of Xianheng International Science & Technology Co., Ltd. (咸亨國際科技股份有限公司) (605056.SH) since September 2017, and an independent director of Rosefinch Fund Management Co., Ltd. (朱雀基金管理有限公司) since September 2020. He has been an independent director of China TX IIOT Corporation Limited (華夏天信智能物聯股份有限公司) since December 2021. Mr. Luo has been the independent non-executive Director, a member of the Audit Committee and the chairman of the Nomination Committee of the Company since July 2021.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

3. Brief Biographies of Independent Non-executive Directors *(continued)*

Ms. Cui Lijie (崔麗婕), aged 47, is currently the independent non-executive Director and a member of the Remuneration and Assessment Committee of the Company. Ms. Cui holds a postgraduate degree. She was a director and the secretary to the board of Zhuhai Ebang Pharmaceutical Co., Ltd. (珠海億邦製藥股份有限公司). She is a member of the Zhuhai Committee of Jiusan Society, a member of Zhuhai Committee (Jinwan District) of the Chinese Peoples' Political Consultative Conference (珠海市金灣區政協委員會) and an executive member of Zhuhai Women Federation (Jinwan District) (珠海市金灣區婦女聯合會). Ms. Cui has experience of over twelve years in areas of operation and management of pharmaceutical companies and operation in capital markets, as well as experience of over five years in the field of risk management. She has been an executive director and the general manager of Zhuhai Longmen Healthcare Investment and Management Co., Ltd. (珠海隆門醫療投資管理有限公司) since April 2016, an executive director and the general manager of Zhuhai Hengqin New Area Longmen Asset Management Co., Ltd. (珠海橫琴新區隆門資產管理有限公司) since August 2016, the chairman of Zhuhai Longmen Capital Management Co., Ltd. (珠海隆門資本管理有限公司) since December 2016, a supervisor of Suzhou Iron Technology Co., Ltd. (蘇州艾隆科技股份有限公司) (688329.SH) from May 2017 to May 2021, a director of Suzhou Yusen New Medicine Co., Ltd. (蘇州玉森新藥有限公司) since April 2018, a director of Deyi Sunshine (Beijing) Co., Ltd. (德益陽光(北京)有限公司) since June 2020, an non-independent director of Suzhou Iron Technology Co., Ltd. (688329.SH) since May 2021, and a director of Shenzhen Qianhai Longqishi Information Technology Co., Ltd. (深圳前海龍奇士信息科技有限公司) since February 2023. Ms. Cui has been the independent non-executive Director of the Company since July 2021 and a member of the Remuneration and Assessment Committee of the Company since December 2021.

Mr. Tian Qiusheng (田秋生), aged 67, is currently the independent non-executive Director, a member of the Audit Committee, the chairman of the Remuneration and Assessment Committee, a member of the Nomination Committee and the Environmental, Social and Governance Committee of the Company. Mr. Tian is a doctor of economics, professor and doctoral tutor. He had studied at Lanzhou University (蘭州大學), Nankai University (南開大學) and Northwest University (西北大學). From July 1982 to July 2005, he taught at Lanzhou University and served as deputy director of the Department of Economics and deputy head of the School of Economics and Management of Lanzhou University. Since July 2005, he has taught at South China University of Technology (華南理工大學). From October 2005 to June 2017, he served as deputy head of the School of Economics and Trade of South China University of Technology. He is currently a guest economist of China Economic Monitoring Center of National Bureau of Statistics of China, a member of the Academic Committee under the Guangdong Financial Institute, a financial consultant of Guangdong Financial Supervisory Authority, the vice president of the Guangdong Financial Think-tank Federation and a counselor of the Advisory Office of the Guangdong People's Government. He was an independent director of Zhuhai Port Co., Ltd. (珠海港股份有限公司) (000507.SZ) from December 2014 to December 2020; He has been an independent director of Guangzhou Lingnan Group Holdings Company Limited (廣州嶺南集團控股股份有限公司) (000524.SZ) since August 2017, and an independent non-executive director of Fineland Living Services Group Limited (9978.HK) (formerly known as Fineland Real Estate Services Group Limited(08376.HK), which transferred the listing from GEM to the Main Board on 28 May 2020) since October 2017. He has been an independent director of Audiowell Electronics (Guangdong) Co., Ltd. (廣東奧迪威傳感科技股份有限公司) (Beijing Stock Exchange: 832491) since December 2019. Mr. Tian has been the independent non-executive Director of the Company since October 2019. He has been a member of the Audit Committee, the chairman of the Remuneration and Assessment Committee, a member of the Nomination Committee and the Environmental, Social and Governance Committee of the Company since July 2021.

Mr. Wong Kam Wa (黃錦華), aged 51, is currently our independent non-executive Director and a member of the Environmental, Social and Governance Committee. Mr. Wong is a lawyer who graduated from the University of Hong Kong with a bachelor degree in engineering and a certificate in law. From May 2011 to March 2016, he worked for Loeb & Loeb LLP. From April 2016 to July 2019, he worked for Anthony Siu & Co.. Since July 2019, he has been a partner of TW Partners. Mr. Wong has been the independent non-executive Director of the Company since October 2019. He has been a member of the Environmental, Social and Governance Committee of the Company since June 2020.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

4. Brief Biographies of Supervisors of the Company

Mr. Wang Maolin (汪卯林), aged 57, graduated from the Law School of Anhui University (安徽大學) and obtained a bachelor's degree in law. Since January 2001, Mr. Wang has been the general manager of the legal and compliance head department of the Company. Mr. Wang has been the chairman of the labor union of the Company and the employee representative supervisor of the Supervisory Committee since January 2010. Since January 2012, Mr. Wang was re-elected as a representative of the 8th, the 9th and the 10th Zhuhai Municipal People's Congress. He has been the chief Supervisor of the Supervisory Committee of the Company since June 2014.

Mr. Huang Huamin (黃華敏), aged 51, an accountant, is currently a Supervisor of the Company and graduated from Shanghai University of Finance and Economics (上海財經大學) with a bachelor's degree in economics in 1993. Mr. Huang has been the chief financial officer and assistant to the general manager of Livzon Group Lixin Co., Ltd. (麗珠集團麗新公司), the manager of the finance department and business department of Livzon Group Liwei Co., Ltd. (麗珠集團麗威公司) as well as the manager of the finance settlement center of the Company. From September 2008 to May 2009, Mr. Huang was employed by Zhuhai Gree Real Estate Co., Ltd. (珠海格力房產有限公司). Mr. Huang was the chief financial officer, the secretary to the board of directors and vice president of Gree Real Estate Co., Ltd. (格力地產股份有限公司) from May 2009 to March 2017, from October 2009 to March 2017 and from March 2016 to March 2017, respectively. Mr. Huang was the deputy general manager of Guangzhou Golden Eagle Asset Management Co., Ltd. (廣州金鷹資產管理有限公司) and the chief financial officer of Golden Eagle Fund Management Co., Ltd. (金鷹基金管理有限公司) from August 2017 to March 2019. Mr. Huang was an assistant to the chairman of the board of directors of China Agriculture Industrial Development Group Co., Ltd. (中農華鑫實業發展集團有限公司) from March 2019 to August 2020. Since April 2020, he has been a managing partner of Zhuhai Guanjing Enterprise Management Center (LLP) (珠海觀鯨企業管理中心(有限合夥)). Since August 2020, he has been the executive director of Kuangshi Investment (Zhuhai) Co., Ltd. (匡時投資(珠海)有限公司). From October 2020 to November 2021, he has been a director and the general manager of Sichuan Danzhuer Equity Investment Fund Management Co., Ltd. (四川丹朱爾股權投資基金管理有限公司). From November 2020 to October 2022, he was an investment advisor to Zhuhai Security Group Co., Ltd. (珠海安保集團有限公司). Since December 2020, he has been the chairman of Hengqin Jingzhun Wisdom Medical Technology Co., Ltd. (橫琴鯨準智慧醫療科技有限公司). From December 2020 to December 2022, he has been an independent director of Xuzhou Handler Special Vehicle Company Ltd. (徐州海倫哲專用車輛股份有限公司) (300201.SZ). Since July 2021, he has been the director of Shenzhen Huachuang Life Co., Ltd. (深圳市華創生活股份有限公司) (873207.NEEQ). Since October 2021, he has been the director (external affairs) of Yuanxin (Zhuhai) Private Equity Fund Management Co., Ltd. (遠信(珠海)私募基金管理有限公司). Since November 2021, he has been the Secretary-General of Zhuhai Association for Listed Companies (珠海市上市公司協會). Since February 2022, he has been an arbitrator of Zhuhai Court of International Arbitration (珠海國際仲裁院). Since October 2022, he has been an executive director of Zhuhai Shangxie Investment Co., Ltd. (珠海上協投資有限公司). Mr. Huang has been a Supervisor of the Supervisory Committee of the Company since June 2013.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

4. Brief Biographies of Supervisors of the Company *(continued)*

Mr. Tang Yin (湯胤), aged 48, is currently a Supervisor of the Company. He graduated from the South China University of Technology (華南理工大學) with a double degree in mechanics and mathematics in 1996, a master degree of science in applied mathematics in 1999, and a doctor degree from the Intelligent Calculation Team of the School of Computer Science in 2004. Since 2004, he has successively served as a deputy professor and a professor, and a master tutor of School of Management of Jinan University (暨南大學管理學院). From January 2012 to October 2020, he has been an assistant to the dean of School of Entrepreneurship of Jinan University (暨南大學創業學院) and since 2012, he has been the director of Internet Innovation Institute. Since March 2020, he has been the deputy director of Experimental Education Center of Economics and Management (National) of Jinan University (暨南大學經濟管理(國家級)實驗教學示範中心). He is also the deputy secretary-general of Guangzhou Internet Association, the vice president of the Hong Kong & Guang Zhou Innovation and Technology Association (香港廣州創新及科技協會), a member of the Expert Committee of Guangdong Electronic Commerce Association, vice chairman of Guangzhou Electronic Commerce and Internet Economy Association and a council member of Guangdong Mobile Economy Association. He has been a Supervisor of the Supervisory Committee of the Company since February 2016.

5. Brief Biographies of Other Senior Management of the Company

Mr. Yang Daihong (楊代宏), aged 56, joined the Company in 1997 and is currently the vice president of the Company, has a title of senior engineer and is a licensed pharmacist. He studied at China Pharmaceutical University (中國藥科大學) from 1984 to 1988 and obtained a bachelor's degree of science. From 2000 to 2002, Mr. Yang attended a course in enterprise management organized by the School of Business of Sun Yat-Sen University (中山大學管理學院). From 1999 to 2009, Mr. Yang was the deputy factory manager and factory manager of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠). Mr. Yang was an executive Director of the Company from October 2014 to June 2017, and he has been the vice president of the Company since May 2006.

Ms. Si Yanxia (司燕霞), aged 54, is currently the vice president and chief financial officer of the Company. She graduated from the Department of Accounting at Shanxi University of Finance and Economics (山西財經學院) with a bachelor degree in July 1990. She is an accountant. Ms. Si finished part-time CFO study at China Europe International Business School (中歐國際工商學院) from July 2005 to November 2005. She joined the Company in April 1993 and was the manager of the capital settlement center and the manager of the accounting center of the accounting head department of the Group. She was the director of the accounting head department of the Company from April 2004 to June 2014 and has been the vice president and chief financial officer of the Company since June 2014.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

5. Brief Biographies of Other Senior Management of the Company *(continued)*

Mr. Zhou Peng (周鵬), aged 59, is currently the vice president of the Company. He graduated from the Hubei University of Medicine (湖北醫學院) with a bachelor degree in medicine in 1985. He obtained attending physician title in 1994. He completed the course of postgraduate course training class of enterprise management in the School of Business of Sun Yat-Sen University (中山大學管理學院) from 2000 to 2002. He joined the Group in 1999 and successively served as an assistant to the director of the general department of the Group, general manager of Livzon Chain Drugstore Co., Ltd. (麗珠藥房連鎖有限公司), director of the human resources head department of the Group, vice general manager of Livzon Group Marketing Co., Ltd. (麗珠集團營銷公司), vice general manager of OTC drug business division of the Group, director of the administration head department of the Group, assistant to the president, general manager of the administration operations head department, general manager of the human resources head department of the Group, and executive deputy general manager of Livzon Pharmaceutical Industrial Co., Ltd. (麗珠醫藥工業有限公司). He has been the deputy secretary of Party Committee of the Company since March 2014. He has been the general manager of public affairs head department of the Group from May 2019 to April 2021, and the general manager of administration head department of the Company since April 2021. He is also the vice president of the Red Cross Society of Zhuhai, the vice president of Zhuhai Medical Association and the vice chairman of the First Session of the Board of Directors of Zhuhai Technology Development Promotion Board (珠海市科技發展促進會第一屆理事會), etc. Mr. Zhou has been the vice president of the Company since November 2016.

Ms. Huang Yuxuan (黃瑜璇), aged 56, is currently the vice president of the Company. Ms. Huang graduated from Fujian Agricultural and Forestry University (福建農林大學) with a bachelor degree in 1989. From 2000 to 2002, she studied a program of post-graduate course in business administration at the University of International Business and Economics (對外經濟貿易大學). In 2004, she was qualified as a senior economist. In 2005, she joined the Group and was the deputy general manager of Fuzhou Fuxing. Since July 2015 and June 2016, she has been the deputy general manager of APIs business department of the Group and the general manager of Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司), respectively. She was an assistant to the president of the Group from December 2016 to October 2018. Ms. Huang has been the vice president of the Company since October 2018.

Mr. Xu Peng (徐朋), aged 66, is currently the vice president of the Company. He obtained a Ph.D. from University of Iowa in the United States. Mr. Xu Peng is a senior expert in the field of microsphere preparation and a technical director of the first domestic launched prolonged-action microsphere injection product (Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球)). In 1993, he acted as a senior researcher at the R&D Department of Gensia Pharmaceutical Inc. in the United States. Mr. Xu served as a partner of FPX (a biopharmaceutical company) in the United States from 1998 to 2004, and the Chief Executive Officer of Nanning Dizhi Pharmaceutical Co., Ltd. (南寧迪智藥業有限公司) in Guangxi from 2005 to 2013. He has been the executive deputy director of the Group's National and Local United Engineering Research Center for Prolonged-action Microsphere from 2015 to April 2020, and its executive director since April 2020. Mr. Xu is also a leader of the Innovation and Entrepreneurship Team introduced by the "Pearl River Talent Plan" (珠江人才計劃) of Guangdong Province, and a leader of the Innovation and Entrepreneurship Team of Zhuhai City. He has been the vice president of the Company since April 2020.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

5. Brief Biographies of Other Senior Management of the Company *(continued)*

Mr. Yang Liang (楊亮), aged 39, is currently the vice president of the Company, the secretary to the Board, company secretary and authorized representative of the Company. In 2006, he graduated from Jinan University (暨南大學) with a bachelor degree in management. In 2008, he graduated from the School of Business Administration, South China University of Technology (華南理工大學) with a master degree in management. He obtained the Fund Qualification Certificate, and is eligible to be an independent director. From May 2008 to June 2010, Mr. Yang worked successively as strategic development director and investment and acquisition manager in Zhuhai Wiseman Co., Ltd. (珠海威絲曼服飾股份有限公司). From July 2010 to July 2011, he served as the strategic performance director in the department of enterprises management of China International Marine Containers (Group) Ltd. (中國國際海運集裝箱(集團)股份有限公司) (CIMC, 000039.SZ, 02039. HK). He joined the Secretariat of the Board of the Company as senior investment project manager in August 2011. He obtained the Certificate of Secretary to the Board issued by Shenzhen Stock Exchange in December 2012 and the Certificate of Affiliated Person of the Hong Kong Institute of Chartered Secretaries in December 2014. He has been a fellow of the Chartered Governance Institute and a fellow of The Hong Kong Chartered Governance Institute since March 2022. He has been the secretary to the Board, the company secretary and authorized representative of the Company since June 2014 and the vice president of the Company since June 2020.

6. Positions Held in Shareholders' Company

✓ Applicable Not applicable

Name	Name of shareholders' company	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from shareholders' company
Zhu Baoguo	Joincare	Chairman of the board of directors	August 2021	August 2024	Yes
Qiu Qingfeng	Joincare	Director, Vice president, Chief financial officer	August 2021	August 2024	Yes
Yu Xiong	Joincare	Director and President	August 2021	August 2024	Yes
Note to the position held in shareholder's company	The above terms of office are tenures of the directors or senior management who are appointed at the eighth session of the board of directors of Joincare.				

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

7. Positions Held in Other Entities

✓ Applicable □ Not applicable

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Zhu Baoguo	Shenzhen Federation of Industry & Commerce (深圳市工商聯(總商會))	Honorary vice president	November 2014		No
	The Nature Conservancy (TNC) Great China Council (大自然保護協會(TNC)大中華理事會)	Council member, secretary-general	December 2012		No
	Paradise International Foundation (桃花源生態保護基金會)	Chairman	April 2015		No
	Central China Management Company Limited (09982.HK)	Independent non-executive director	May 2021		Yes
Tang Yanggang	Qingyuan Entrepreneur Association (清遠企業家協會)	Vice chairman	August 2012		No
	Qingyuan Federation of Industry and Commerce (清遠市工商業聯合會)	Vice president	November 2016		No
	Qingyuan Municipal Political Consultative Conference (清遠市政協)	Member	January 2017	June 2022	No
	Zhuhai Municipal Political Consultative Conference (珠海市政協)	Member	June 2022		No
	Guangdong Pharmaceutical Association (廣東省藥學會)	Vice chairman	August 2019		No
	China Association of Traditional Chinese Medicine (中國中藥協會)	Vice chairman	November 2019		No
	Xu Guoxiang	Chinese Hospital Association (中國醫院協會)	Standing council member	January 2012	
China Association of Pharmaceutical Commerce (中國醫藥商業協會)		Vice chairman	November 2012		No
Bethune Charitable Foundation (白求恩公益基金會)		Council member	October 2016		No
Guangdong Pharmaceutical Price Association (廣東省醫藥價格協會)		Vice chairman	November 2018		No
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)		Director	May 2021		No
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)		Director	April 2020		No

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

7. Positions Held in Other Entities *(continued)*

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity	
Yu Xiong	Shanghai Huatai Investment and Development Co., Ltd. (上海華太投資發展有限公司)	Director	May 2018		No	
	Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Chairman	November 2018		No	
	Xinling Pharmaceutical Technology (Shenzhen) Co., Ltd. (新領醫藥技術(深圳)有限公司)	Chairman	July 2020	January 2022	No	
	Guangzhou Joicare Respiratory Drugs Engineering Technology Co., Ltd. (廣州健康元呼吸藥物工程技術有限公司)	Executive director	December 2020		No	
	Jinyao Pharmaceuticals Co., Ltd. (津藥藥業股份有限公司) (600488.SH)	Independent director	December 2016		Yes	
	Sichuan Biokin Pharmaceutical Co., Ltd. (四川百利天恒藥業股份有限公司) (688506.SH)	Independent director	September 2019		Yes	
	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Chairman	November 2021		No	
	Chinese Pharmaceutical Association (中國藥學會)	Pharmaceutical Engineering Professional Committee (製藥工程專業委員會)	Standing director	August 2012	January 2022	No
			Honorary director	January 2022		No
			Honorary chairman	November 2019		No
Shanghai Society of Chemistry and Chemical Industry (上海市化學化工學會)		Honorary director	October 2016		No	
East China University of Science and Technology (華東理工大學)		Adjunct professor	July 2019		No	

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

7. Positions Held in Other Entities *(continued)*

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Bai Hua	Accounting Department of the School of Management of Jinan University (暨南大學管理學院會計學系)	Professor	October 2014		Yes
		Doctoral tutor	September 2015		Yes
	Guangdong Auditing Society (廣東省審計學會)	Director	September 2009		No
	Guangdong Certified Public Accountants Association (廣東省註冊會計師協會)	Member of the Publicity Committee	October 2010		No
	Shenzhen Expressway Corporation Limited (深圳高速公路集團股份有限公司) (600548.SH, 00548.HK)	Independent director	February 2018		Yes
	Improve Medical Instruments Co., Ltd. (陽普醫療科技股份有限公司) (300030.SZ)	Independent director	June 2020		Yes
	KAISA JiaYun Technology Inc. (廣東佳兆業佳雲科技股份有限公司) (300242.SZ)	Independent director	December 2014	January 2018	Yes
	Guangzhou Echom Science & Technology Co., Ltd. (廣州毅昌科技股份有限公司) (002420.SZ)	Independent director	October 2013	October 2019	Yes
	Yipinhong Pharmaceutical Co., Ltd. (一品紅藥業股份有限公司) (300723.SZ)	Independent director	November 2015	November 2018	Yes
	Guangdong Hongxing Industrial Co., Ltd. (廣東洪興實業股份有限公司) (001209.SZ)	Independent director	November 2018		Yes
	Skyworth Digital Co., Ltd. (創維數字股份有限公司) (000810.SZ)	Independent director	April 2021		Yes

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

7. Positions Held in Other Entities *(continued)*

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Luo Huiyuan	Beijing Hai Run Law Firm (北京海潤天睿律師事務所)	Chief officer	May 2018	December 2021	Yes
		Senior Partner	December 2017		Yes
	Beijing Chaoyang District Lawyers Association (北京市朝陽區律師協會)	Council member and vice chairman of Finance & Taxation Committee	September 2018	January 2023	No
		Vice president	January 2023		No
	Suzhou Yangtze New Materials Co., Ltd. (蘇州揚子江新型材料股份有限公司) (002652.SZ)	Independent director	January 2018	January 2021	Yes
	Tibet Tianlu Co., Ltd. (西藏天路股份有限公司) (600326.SH)	Independent director	January 2016	January 2022	Yes
	Shanghai Challenge Textile Co., Ltd. (上海嘉麟傑紡織品股份有限公司) (002486.SZ)	Independent director	January 2017		Yes
	CNPC Capital Company Limited (中國石油集團資本股份有限公司) (000617.SZ)	Independent director	April 2017		Yes
	Xianheng International Science & Technology Co., Ltd. (咸亨國際科技股份有限公司) (605056.SH)	Independent director	September 2017		Yes
	Rosefinch Fund Management Co., Ltd. (朱雀基金管理有限公司)	Independent director	September 2020		Yes
China TX IIOT Corporation Limited (華夏天信智能物聯股份有限公司)	Independent director	December 2021		Yes	

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

7. Positions Held in Other Entities *(continued)*

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Cui Lijie	Zhuhai Committee of Jiusan Society (九三學社珠海市委員會)	Committee member	July 2016		No
	Zhuhai Committee (Jinwan District) of the Chinese Peoples' Political Consultative Conference (珠海市金灣區政協委員會)	Standing committee member	January 2016		No
	Zhuhai Women Federation (Jinwan District) (珠海市金灣區婦女聯合會)	Executive committee member	March 2013		No
	Zhuhai Longmen Healthcare Investment and Management Co., Ltd. (珠海隆門醫療投資管理有限公司)	Executive director and general manager	April 2016		No
	Zhuhai Hengqin New Area Longmen Asset Management Co., Ltd. (珠海橫琴新區隆門資產管理有限公司)	Executive director and general manager	August 2016		No
	Zhuhai Longmen Capital Management Co., Ltd. (珠海隆門資本管理有限公司)	Chairman	December 2016		No
	Suzhou Iron Technology Co., Ltd. (蘇州艾隆科技股份有限公司) (688329.SH)	Supervisor	May 2017	May 2021	No
	Suzhou Yusen New Medicine Co., Ltd. (蘇州玉森新藥有限公司)	Director	April 2018		No
	Deyi Sunshine (Beijing) Co., Ltd. (德益陽光(北京)有限公司)	Director	June 2020		No
	Suzhou Iron Technology Co., Ltd. (蘇州艾隆科技股份有限公司) (688329.SH)	Non-independent director	May 2021		No
Shenzhen Qianhai Longqishi Information Technology Co., Ltd. (深圳前海龍奇士信息科技有限公司)	Director	February 2023		No	

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

7. Positions Held in Other Entities *(continued)*

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Tian Qiusheng	China Economic Monitoring Center of National Bureau of Statistics of China (國家統計局中國經濟景氣監測中心)	Guest economist	October 2002		No
	Advisory Office of the Guangdong People's Government (廣東省人民政府參事室)	Counselor	February 2014		No
	Academic Committee under the Guangdong Financial Institute (廣東省金融學會學術委員會)	Member	September 2016		No
	Guangdong Financial Supervisory Authority (廣東省地方金融監督管理局)	Financial consultant	January 2017		No
	Guangdong Financial Think-tank Federation (廣東省金融智庫聯合會)	Vice president	February 2018		No
	Zhuhai Port Co., Ltd. (珠海港股份有限公司) (000507.SZ)	Independent director	December 2014	December 2020	Yes
	Guangzhou Lingnan Group Holdings Company Limited (廣州嶺南集團控股股份有限公司) (000524.SZ)	Independent director	August 2017		Yes
	Fineland Living Services Group Limited (9978.HK)	Independent non-executive director	October 2017		Yes
	Audiowell Electronics (Guangdong) Co., Ltd. (廣東奧迪威傳感科技股份有限公司) (832491.BJ)	Independent director	December 2019		Yes
Wang Maolin	Zhuhai Committee of Jiusan Society (九三學社珠海市委員會)	Deputy chairman	July 2016	July 2021	No
	9th Zhuhai Municipal People's Congress (珠海市第九屆人民代表大會)	Representative	January 2017	January 2022	No
	10th Zhuhai Municipal People's Congress (珠海市第十屆人民代表大會)	Representative	January 2022		No

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

7. Positions Held in Other Entities *(continued)*

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Huang Huamin	Guangzhou Golden Eagle Asset Management Co., Ltd. (廣州金鷹資產管理有限公司)	Deputy general manager	August 2017	March 2019	Yes
	Golden Eagle Fund Management Co., Ltd. (金鷹基金管理有限公司)	Chief financial officer	August 2017	March 2019	Yes
	China Agriculture Industrial Development Group Co., Ltd. (中農華鑫實業發展集團有限公司)	Assistant to the chairman of the board of directors	March 2019	August 2020	Yes
	Zhuhai Guanjing Enterprise Management Center (Limited Partnership) (珠海觀鯨企業管理中心(有限合夥))	Managing partner	April 2020		No
	Kuangshi Investment (Zhuhai) Co., Ltd. (匡時投資(珠海)有限公司)	Executive director	August 2020		No
	Kuangshi Investment (Zhuhai) Co., Ltd. (匡時投資(珠海)有限公司)	General Manager	August 2020	October 2021	Yes
	Sichuan Danzhuer Equity Investment Fund Management Co., Ltd. (四川丹朱爾股權投資基金管理有限公司)	Director, general manager	October 2020	November 2021	No
	Zhuhai Security Group Co., Ltd. (珠海安保集團有限公司)	Investment advisor	November 2020	October 2022	Yes
	Hengqin Jingzhun Wisdom Medical Technology Co., Ltd. (橫琴鯨準智慧醫療科技有限公司)	Chairman Director	December 2020 December 2020	September 2021	No No
	Xuzhou Handler Special Vehicle Company Ltd. (徐州海倫哲專用車輛股份有限公司) (300201.SZ)	Independent director	December 2020	December 2022	Yes
	Shenzhen Huachuang Life Co., Ltd. (深圳市華創生活股份有限公司) (873207.NEEQ)	Director	July 2021		Yes
	Yuanxin (Zhuhai) Private Equity Fund Management Co., Ltd. (遠信(珠海)私募基金管理有限公司)	Director (external affairs)	October 2021		Yes
	Zhuhai Association for Listed Companies (珠海市上市公司協會)	Secretary-General	November 2021		Yes
	Zhuhai Shangxie Investment Co., Ltd (珠海上協投資有限公司)	Executive director	October 2022		No
	Zhuhai Court of International Arbitration (珠海國際仲裁院)	Arbitrator	February 2022		No

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

7. Positions Held in Other Entities *(continued)*

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Tang Yin	School of Management, Jinan University (暨南大學管理學院)	Deputy professor, master tutor	September 2004	October 2020	Yes
		Professor, master tutor	October 2020		Yes
	School of Entrepreneurship, Jinan University (暨南大學創業學院)	Assistant to the dean	January 2012	October 2020	Yes
	Internet Innovation Institute (互聯網創新研究中心)	Director	January 2012		No
	Guangdong Electronic Commerce Association (廣東省電子商務協會)	Member of the Expert Committee	December 2012		No
	Guangdong Mobile Economy Association (廣東省移動經濟協會)	Council member	December 2012		No
	Guangzhou Internet Association (廣州互聯網協會)	Deputy secretary-general	September 2013		No
	Guangzhou Electronic Commerce and Internet Economy Association (廣州市電子商務與網絡經濟學會)	Vice chairman	September 2013		No
	Hong Kong & Guang Zhou Innovation and Technology Association	Vice chairman	January 2017		No
Experimental Education Center of Economics and Management (National) of Jinan University (暨南大學經濟管理(國家級)實驗教學示範中心)	Deputy Director	March 2020		No	

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

7. Positions Held in Other Entities *(continued)*

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Zhou Peng	Beijing Normal University Zhuhai Campus (北京師範大學珠海分校)	Visiting professor	September 2015	October 2019	No
	Red Cross Society of Zhuhai (珠海市紅十字會)	Vice president	December 2013		No
	Zhuhai Medical Association (珠海市藥學會)	Vice president	March 2016		No
	Zhuhai Jinwan District Standing Committee of the National People's Congress (珠海市金灣區人大常委會)	Member	November 2016	September 2022	No
	Zhuhai Jinwan District Industry Development Association (珠海市金灣區產業發展協會)	Chairman	September 2018	June 2020	No
	First Session of the Board of Directors of Zhuhai Technology Development Promotion Board (珠海市科技發展促進會第一屆理事會)	Vice chairman	June 2020		No
Note to the Position held in other entities	Not applicable				

8. Punishment of Current and Resigned Directors, Supervisors and Senior Management of the Company during the Year from Securities Regulatory Institution in Recent Three Years

Applicable Not applicable

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIV. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Procedures for Determining the Remuneration of Directors, Supervisors and Senior Management

The remuneration of Directors and Supervisors of the Company must be considered and approved by the general meetings of the Company. As for the remunerations of senior management, the Remuneration and Assessment Committee of the Board of the Company formulates corresponding remuneration standards in accordance with the remuneration management system of the Company, coupled with the operating results, and submit to the Board of Directors of the Company for approval.

2. Basis for Determining the Remuneration of Directors, Supervisors and Senior Management

The Company determines the annual remuneration of Directors, Supervisors and senior management with reference to industry and regional income levels while taking into consideration factors such as the operating results of the Company and their contributions. Meanwhile, the Company implements corporate performance appraisal and individual performance appraisal system for senior management, and determines performance bonus and year end double pay based on the appraisal results. Furthermore, with the authorization of the Board and the approval of the chairman, the Company may pay additional special rewards based on the growth of the annual operating results of the Company.

Information on the remuneration of each Director, Supervisor and senior management and the top five highest paid individuals is set out in "Note X. 5. Related Transactions" of the financial report in this Report.

3. Appraisal and Incentive for Senior Management

During the Year, the Company continued to conduct an appraisal system that combines the corporate performance appraisal and individual performance appraisal for its senior management, in which the personal annual remuneration is linked to the Company's performance. Meanwhile, the 2018 Share Options Incentive Scheme and the 2022 Share Options Incentive Scheme have been adopted by the Company to align the interests of the senior management with those of the Company and its Shareholders so as to achieve medium to long-term incentive effect. The Second Phase Ownership Scheme of the Company's Medium to Long-term Business Partner Share Ownership Scheme was considered and approved at the 2021 annual general meeting held on 20 May 2022, to establish an innovative long-term incentive stock ownership mechanism for senior management and core technical teams for the purpose of further motivating the senior management, facilitating the long-run and sustainable development of the Company and realizing the alignment of interests among all shareholders.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIV. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

4. Remuneration of Directors, Supervisors and Senior Management of the Company during the Year

Unit: RMB0'000

Name	Position	Gender	Age	Status	Total Remuneration before tax from the Company	Receive remuneration from any related party of the Company
Zhu Baoguo	Chairman, Non-executive Director	Male	60	Current	325.00	Yes
Tao Desheng	Vice Chairman, Non-executive Director	Male	58	Current	300.00	No
Xu Guoxiang	Vice Chairman, Executive Director, Vice President	Male	60	Current	732.07	No
Tang Yanggang	Executive Director, President	Male	53	Current	433.92	No
Qiu Qingfeng	Non-executive Director	Male	51	Current	9.60	Yes
Yu Xiong	Non-executive Director	Male	62	Current	9.60	Yes
Bai Hua	Independent Non-executive Director	Male	53	Current	12.00	No
Tian Qiusheng	Independent Non-executive Director	Male	67	Current	12.00	No
Wong Kam Wa	Independent Non-executive Director	Male	51	Current	12.00	No
Luo Huiyuan	Independent Non-executive Director	Male	56	Current	12.00	No
Cui Lijie	Independent Non-executive Director	Female	47	Current	12.00	No
Wang Maolin	Chief Supervisor	Male	57	Current	138.10	No
Huang Huamin	Supervisor	Male	51	Current	4.80	No
Tang Yin	Supervisor	Male	48	Current	4.80	No
Yang Daihong	Vice President	Male	56	Current	302.32	No
Si Yanxia	Vice President	Female	54	Current	272.92	No
Zhou Peng	Vice President	Male	59	Current	212.45	No
Huang Yuxuan	Vice President	Female	56	Current	341.76	No
Xu Peng	Vice President	Male	66	Current	233.52	No
Yang Liang	Vice President, Secretary to the Board, Company Secretary	Male	39	Current	225.04	No
Total	-	-	-	-	3,605.90	-

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XV. EMPLOYEES OF THE COMPANY

As at the End of the Year, the Company and its wholly-owned subsidiaries and controlling subsidiaries had a total of 9,005 existing employees (31 December 2021: 8,580).

1. Number, Speciality Composition and Education Level of Employees

Number of existing employees of the parent company (persons)	2,019
Number of existing employees of principal subsidiaries (persons)	6,986
Total number of existing employees (persons)	9,005
Total number of employees receiving remuneration during the Year (persons)	9,005
Total number of retired employees to whom the parent company and its principal subsidiaries should pay pension (persons)	666

Speciality composition

Type of speciality composition	Staff number of speciality composition (persons)
Production staff	5,329
Sales staff	1,819
Technical staff	1,218
Financial staff	174
Administrative staff	465
Total	9,005

Education level

Type of education level	Number (persons)
Below post-secondary	3,192
Post-secondary	2,662
Undergraduate	2,647
Postgraduate	446
Doctor	58
Total	9,005

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XV. EMPLOYEES OF THE COMPANY *(continued)*

2. Employees' Remuneration Policies

The Group mainly determined the remuneration of its employees according to the laws and regulations of the People's Republic of China and the Company's economic performance with reference to the general remuneration level in the society. During the Year, the Company's remuneration policies were in line with the provisions of relevant national laws and regulations, and the Company determined the remuneration of its employees after referring to the remuneration level in the industry and the region, fully considering the Company's internal fairness and depending on the duty value, work performance and individual ability of its employees. The formulation and revision of the remuneration system of the Company's employees should seek the views of the majority of its employees. In order to reflect the incentives of remuneration, the remuneration of the employees was composed of two portions: fixed income and variable income. The variable income was subject to the Company's performance and the individual performance, so as to fully stimulate the enthusiasm and initiative of the employees and achieve the goal of promoting the sustainable development of the Company. In 2022, the Company completed the registration of the first grant under the 2022 Share Options Incentive Scheme. The Second Phase Ownership Scheme of the Company's Medium to Long-term Business Partner Share Ownership Scheme was considered and approved at the 2021 annual general meeting held on 20 May 2022. For details, please refer to "XXI. Share Options Incentive Schemes" and "XXII. Medium to Long-term Business Partner Share Ownership Scheme" in Section III of this Report.

During the Year, the total wages, bonuses, allowances, compensation, welfare, housing funds and social insurance paid to the employees by the Group amounted to RMB1,514.96 million (31 December 2021: RMB1,382.17 million).

3. Pension Scheme

During the Year, there was no change in the Group's employee remuneration policy. The employees of the Group participated in the social basic pension insurance scheme organized and implemented by the local labor and social security departments. Upon retirement of the employees, the local labor and social security departments are obligated to pay social basic pension to the retired employees. According to the requirements under relevant laws and regulations of China and regulations of the local governments, the Group is required to contribute to the social basic pension insurance scheme at a certain rate of the employees' salaries to fund the employee retirement benefits. The sole obligation of the Group with respect to the social basic pension insurance scheme is to make the required contributions under the scheme. There was no change in the details of the retirement benefits.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XV. EMPLOYEES OF THE COMPANY *(continued)*

4. Employees' Training Plan

During the Year, the Company comprehensively strengthened its management in talent development and training. In respect of talent development, we mainly conducted interviews with our employees to truly understand their needs and reasonably coordinated the improvement of relevant issues, reviewed the talent echelon construction and succession, and made rules on career growth and other matters; identified and discovered outstanding talents within the Company, and promptly provided promotion opportunities to fulfill their potential. Meanwhile, the Company provided a platform for its employees to improve their academic qualifications during the Year, through which, our employees selected schools and majors according to their needs, and the Company helped them complete registration and other related work, so as to promote the joint development of employees and the Company. In respect of training, our activities were mainly carried out in various forms such as online and offline trainings. During the Year, to enhance the activeness of employees, we regularly organized and carried out training for new employees to help building a public platform for them to fully understand and get to know each other and enabling them to experience the corporate culture of "happy life and happy work." In order to strengthen the understanding of employee engagement, the Company organized all employees to participate in an engagement survey, with a completion rate of as high as 97%. Compared with the results of the 2021 engagement survey, it has increased by 5 percentage points, leading the pharmaceutical industry benchmark by 1 percentage point and leading the average level in China by 2 percentage points. With an aim to strengthen the leadership of management staff of the Company, we organized and launched EMBA and MBA courses, covering senior management, leadership awareness, management innovation, strategic planning, strategic decision-making, strategic execution, financial management, personnel management, sales management, organizational change, etc. For cultivation of talents in professional fields, we organized and launched 5 series of courses on corporate talent development, R&D engine, productivity excellence, winning in supply chain, and marketing. Meanwhile, the Company provided an online learning platform for all employees with more than 3,000 courses, fully reflecting the importance placed by the Company on talents. During the Year, through various incentive methods, the Company organized and launched courses on female leadership, business ethics and compliance, grievance management, gender equality, anti-discrimination, anti-harassment and diversity, and employee satisfaction of many trainings reached 100%. Furthermore, in response to the training activities of the Zhuhai Municipal Government, approximately 1,600 employees of the Company fulfilled the learning requirements during the Year; branches of the business school of the Group organized and carried out diversified employee development activities, such as Qinglan Class and training camp for management trainees; the Company also made unified organizational effort to facilitate the procedures for employees to participate in on-the-job further studies for master (or doctoral) degree, continuing education for professional and technical personnel, application of professional titles and training classes of various cooperative universities.

In 2022, the Company comprehensively improved the Group's training system and contents to provide employees with a comprehensive, complete and compliant learning platform, which enhanced the professionalism and capabilities of our employees and built an excellent team able to fight and win enduring battles for the Group.

5. Labor Outsourcing

Applicable Not applicable

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XVI. IMPLEMENTATION OF EQUITY INCENTIVE SCHEME, EMPLOYEE SHARE OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVES OF THE COMPANY

✓ Applicable Not applicable

For details on the implementation of equity incentive scheme, employee share ownership scheme or other employee incentives of the Company, please refer to “XXI. Share Options Incentive Schemes” and “XXII. Medium to Long-term Business Partner Share Ownership Scheme” in Section III of this Report.

Share options incentive received by Directors and senior management of the Company

✓ Applicable Not applicable

Unit: 0'000 shares

Name	Position	Number			Number of shares exercised during the Reporting Period	Exercise price during the Reporting Period (RMB/share)	Market price as at the End of the Reporting Period (RMB/share)	Number		Number of restricted shares held at the End of the Reporting Period	Grant price of restricted shares (RMB/share)
		Number of share options held at the Beginning of the Year	Number of new share options granted during the Reporting Period	Number of shares that can be exercised during the Reporting Period				Number of restricted shares held at the Beginning of the Reporting Period	Number of new restricted shares granted during the Reporting Period		
Tang Yanggang	Executive Director, President	6.0840	16.00	6.0840	-	-	-	-	-	-	-
Tao Desheng	Vice Chairman, Non-executive Director	7.6050	-	7.6050	-	-	-	-	-	-	-
Xu Guoxiang	Vice Chairman, Executive Director, Vice President	7.6050	16.00	7.6050	-	-	-	-	-	-	-
Yang Daihong	Vice President	6.0840	12.00	6.0840	-	-	-	-	-	-	-
Si Yanxia	Vice President	6.0840	12.00	6.0840	-	-	-	-	-	-	-
Zhou Peng	Vice President	4.0560	9.60	4.0560	-	-	-	-	-	-	-
Huang Yuxuan	Vice President	3.5490	12.00	3.5490	-	-	-	-	-	-	-
Xu Peng	Vice President	3.0420	12.00	3.0420	-	-	-	-	-	-	-
Yang Liang	Vice President, Secretary to the Board, Company Secretary	3.5490	12.00	3.5490	-	-	-	-	-	-	-
Total	-	47.6580	101.60	47.6580	-	-	-	-	-	-	-
Remark (if any)	N/A										

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XVII. PROFIT DISTRIBUTION AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL OF THE COMPANY

Profit Distribution Policy for Ordinary Shares and in particular, the Formulation, Implementation or Adjustment of Cash Dividends Policy during the Year

Applicable Not applicable

Earnings of the Company and profits available for distribution to ordinary shareholders of the parent Company during the Year are positive, but no cash dividend distribution plan for ordinary shares is proposed

Applicable Not applicable

Profit distribution and conversion of capital reserves into share capital during the Year

Applicable Not applicable

Bonus shares for every 10 shares (shares)	0
Dividends for every 10 shares (RMB) (tax inclusive)	16.00
Conversion shares for every 10 shares (shares)	0
Share capital basis for proposed distribution (shares)	930,320,639 ^{Note}
Total amount of cash dividends (RMB) (tax inclusive)	1,488,513,022.40
Amount of cash dividends distributed by other means (such as repurchase of shares) (RMB)	55,925,653.00
Total amount of cash dividends (including the amount distributed by other means) (RMB)	1,544,438,675.40
Distributable profit (RMB)	1,909,391,664.63
Percentage of total amount of cash dividends (including the amount distributed by other means) to total amount of profit distribution	100%

Cash dividends for current year

The annual profit distribution plan of the Company for the Year: it is expected to distribute cash dividend of RMB16.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2022 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized. The profit distribution has complied with the requirement of "If the Company is at the mature stage of development and has no significant capital expenditure plan, the proportion of cash dividends shall be at least 80% in the profit distribution" under the Articles of Association.

Particulars of Proposal on Profit Distribution or Conversion of Capital Reserves

Nil

Note: The proposed distribution is calculated based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the trading day prior to disclosure of the Report.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XVIII. ESTABLISHMENT AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

1. Establishment and implementation of internal control

For details on the establishment and implementation of internal control of the Company, please refer to “XI. Risk Management and Internal Control” in Section IV of this Report.

2. The material weakness discovered in internal control during the Reporting Period

Yes No

XIX. MANAGEMENT AND CONTROL OF SUBSIDIARIES BY THE COMPANY DURING THE REPORTING PERIOD

Applicable Not applicable

XX. SELF-EVALUATION REPORT ON INTERNAL CONTROL AND AUDIT REPORT ON INTERNAL CONTROL

1. Self-Evaluation Report on Internal Control

During the Year, the Board had conducted a review of effectiveness and adequacy of the risk management and internal control of the Group for the year ended 31 December 2022, including the supervision on finance, operation and compliance, as well as an assessment on internal environment and risks. Through the review, the Board had found no material and important weaknesses that indicates inefficient internal control of the Group. The Board considers the risk management and internal control systems of the Group are effective and adequate.

The disclosure date of the text of Evaluation Report on Internal Control	31 March 2023
The index of the text of Evaluation Report on Internal Control	Please refer to the 2022 Self-Evaluation Report on Risk Management and Internal Control of Livzon Pharmaceutical Group Inc. disclosed by the Company on Cninfo.
The proportion of the total assets of the units within the scope of evaluation in the total assets of the Company's combined financial statements	99.93%
The proportion of the operation income of the units within the scope of evaluation in the operation income of the Company's combined financial statements	100%

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XX. SELF-EVALUATION REPORT ON INTERNAL CONTROL AND AUDIT REPORT ON INTERNAL CONTROL *(continued)*

1. Self-Evaluation Report on Internal Control *(continued)*

Weakness identification standards

Type	Financial statement	Non-financial statement
Qualitative standard	<ol style="list-style-type: none"> Weaknesses with the following characters shall be identified as material weaknesses: <ol style="list-style-type: none"> ineffective control environment; the management of the Company has fraud of any degree; the material misstatements found by external auditor was not first found by the Company; the weaknesses relating to the total amount of the affected related transactions exceeds the quota of related transactions approved by the shareholders; Important weaknesses: combination of one or more weaknesses, the severity of which is lower than material weaknesses, but it is severe to cause the Company not to prevent or discover the deviation of overall control target, which shall raise the attention of the management of Company. General weaknesses: other control weaknesses that do not constitute material or important weaknesses. 	<ol style="list-style-type: none"> Weaknesses with the following characters shall be identified as material weaknesses: <ol style="list-style-type: none"> severe violation against laws and regulations; the material weaknesses on internal control already found and reported to the management has not been rectified after a reasonable period of time; other than policy-related losses, the Company's continuing operation is subject to challenges with losses in successive years; failure in merger and acquisition and reorganization, or the newly expanded subsidiaries are difficult to sustain the operation; resignation of the management of the Company or severe loss of staff on key positions, repeated negative news coverage by the media. Important weaknesses: combination of one or more weaknesses, the severity of which is lower than material weaknesses, but it is severe to cause the Company not to prevent or discover the deviation of overall control target, which shall raise the attention of the management of Company. General weaknesses: other control weaknesses that do not constitute material or important weaknesses.
Quantitative standard	<ol style="list-style-type: none"> General weaknesses: combined misstatements < 3% of the profit before tax in the combined statements; Important weaknesses: 3% of the profit before tax in the combined statements ≤ combined misstatements < 5% of the profit before tax in the combined statements; Material weaknesses: combined misstatements ≥ 5% of the profit before tax in the combined statements 	<ol style="list-style-type: none"> General weaknesses: direct loss amount ≤ 3% of the total assets in the combined statements; Important weaknesses: 3% of the total assets in the combined statements < direct loss amount ≤ 5% of the total assets in the combined statements; Material weaknesses: direct loss amount > 5% of the total assets in the combined statements
Number of material weaknesses in financial statement		0
Number of material weaknesses in non-financial statement		0
Number of important weaknesses in financial statement		0
Number of important weaknesses in non-financial statement		0

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XX. SELF-EVALUATION REPORT ON INTERNAL CONTROL AND AUDIT REPORT ON INTERNAL CONTROL *(continued)*

2. Audit Report on Internal Control

Applicable Not applicable

The paragraph of audit opinions in the Audit Report on Internal Control

Grant Thornton (Special General Partnership) issued the Audit Report on Internal Control (GTCSZ (2023) No. 442A005318 for the Company's internal control during the year of 2022, with the following audit opinion: on 31 December 2022, Livzon Pharmaceutical Group Inc. maintained effective financial statement internal control in all material aspects pursuant to "Basic Ordinance of Corporation Internal Control" and relevant provisions.

Disclosure of the Audit Report on Internal Control	Disclosed
The disclosure date of the text of the Audit Report on Internal Control	31 March 2023
The index of the text of the Audit Report on Internal Control	Please refer to the Audit Report on Internal Control disclosed by the Company on Cninfo
Type of opinions in the Audit Report on Internal Control	Standard unqualified opinion
Whether material weaknesses existed in the non-financial statements	No

Whether the accounting firm issued a non-standard audit report on internal control

Yes No

Whether the Audit Report on Internal Control issued by the accounting firm is in line with the self-evaluation report of the Board

Yes No

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department

Yes No

During the Reporting Period, there were 11 subsidiaries of the Company being identified as key pollutant discharging units announced by the Environmental Protection Department, with details as follows:

(1) Fuzhou Fuxing

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Fuzhou Fuxing	Chemical oxygen demand (COD)	Intermittent	1	The northwest side of the factory	16.59	100	19.41	102.19	Nil
	Ammonia nitrogen				0.22	15	0.255	10.22	Nil

Note: The discharge concentration represents the actual discharge concentration, and the standards implemented represent the standards for discharge to the environment by Jiangyin Sewage Treatment Plant (江陰污水處理廠) (i.e. COD \leq 100 mg/L, ammonia nitrogen \leq 15 mg/L), and the agreed standard for discharge of COD and ammonia nitrogen from the company to Jiangyin Sewage Treatment Plant shall be \leq 500 mg/L and \leq 60 mg/L respectively. The data was obtained from Fuqing Environmental Protection Bureau.

Construction and operation of pollution prevention & treatment facilities:

The company strictly complies with the "Three-Simultaneous" system of environmental protection by collecting and treating "Three Wastes (wastewater, waste gas and solid waste)" according to requirements, and employs an advanced wastewater treatment process known as "Regulating pool + Hydrolysis acidification tank + Sequencing Batch Reactor Activated Sludge Process (SBR) and Cyclic Activated Sludge System (CASS) + Air float". After the wastewater from production has gone through the above treatment process, all indicators are stable and satisfy the discharge standard. After meeting the discharge standards, the wastewater is discharged to Jiangyin Sewage Treatment Plant operated by Fujian Huadong Water Treatment Co., Ltd. (福建華東水務有限公司) via sewage pipe network at the industrial park area for further treatment. In 2022, the waste gas treatment facilities for Fenton pool and regulating pool have been added, and the waste gas was treated by secondary spraying.

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The "Environmental Impact Report on the Phase III High-end Antibiotics Project of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd." was approved on 23 August 2021. The company strictly implements the "Three Simultaneous" system and takes environmental protection measures required for environmental assessment, with the environmental protection facilities under normal operation. Approval was granted for the application of a new national pollutant discharge license on 27 December 2017 and the renewal of the national pollutant discharge license was completed in December 2020. The company has been discharging pollutants in strict compliance with the licensing and administrative requirements. The "Environmental Impact Report on the Phase IV High-end Antibiotics Project of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd." obtained the suggestion of approval on 12 October 2022.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(1) Fuzhou Fuxing *(continued)*

Environmental emergency contingency plan:

Pursuant to relevant provisions and requirements, the “Environmental Emergency Contingency Plan of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (《麗珠集團福州福興醫藥有限公司突發環境事件應急預案》)” was prepared based on the principles of “Focus on Prevention, Aim at Self-rescue, Centralized Command and Division of Responsibility (預防為主、自救為主、統一指揮、分工負責)”, for which filing application was accepted on 15 April 2022 (File No.: 350181-2022-024-M).

After environmental emergency incidents occur, immediate, quick, effective and orderly emergency rescue actions will be taken to control and prevent accidents and the spread of contamination, protect the surrounding environment effectively and ensure the personal life and property safety of all employees, the company and the nearby communities. In accordance with the contents and requirements of such plan, the company provides trainings and drills for its employees to get them well-prepared for environmental emergency incidents, so that rescue actions could be taken in a timely manner and incidents could be controlled effectively in a short period of time in case of any environmental emergency incidents. In May 2022, a comprehensive emergency drill for leakage accident in workshop 4 of the second phase was conducted.

Environmental self-monitoring program:

According to the relevant requirements of the “Measures for Self-Monitoring and Information Disclosure by Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation) (《國家重點監控企業自行監測及信息公開辦法(試行)》)” and the “Technical Guidelines for Self-Monitoring by Pollution Discharge Enterprises in the Fermentation Pharmaceutical Industry (HJ882-2017) (《排污單位自行監測技術指南發酵類製藥工業(HJ882-2017)》)”, the company has completed the establishment of the self-monitoring program based on its own situation in a timely manner and made the program available to the public after being examined by and filed with Fuqing Environment Protection Bureau and Fuzhou Environment Protection Bureau. The analysis methods of the monitoring program comply with the national environmental monitoring technical standards and methods; the monitoring and analysis instruments have been examined and calibrated in strict compliance with the relevant national requirements; the automated monitoring equipment has been installed in accordance with the requirement of environmental assessment technical standards, which are connected to relevant environmental protection authorities and have passed the inspection and acceptance of the relevant environmental protection authorities. The automated monitoring equipment has been functioning properly and the monitoring information is accurate, valid and authentic. In June 2022, the work on leakage detection and repair (LDAR) of volatile organic compounds (VOCs) for the first half of the year was completed, and in November 2022, the work on leakage detection and repair (LDAR) of volatile organic compounds (VOCs) for the second half of the year was completed. Information publicity website: <http://wryfb.fjemc.org.cn>

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(2) Xinbeijiang Pharma

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Xinbeijiang Pharma	Chemical oxygen demand	Intermittent	1	Sewage treatment workshop	88.3	240	70.95	213.6	Nil
	Ammonia nitrogen				3.3	70	2.69	24.5	Nil

Note: The discharge concentration represents the concentration of discharge into Qingyuan Henghe Sewage Treatment Plant (清遠橫荷污水處理廠), while the standard adopted for discharge represents the standard stipulated in the pollutant discharge license of the company, i.e. COD ≤ 240 mg/L, ammonia nitrogen ≤ 70 mg/L. The data was obtained from Qingyuan Environmental Protection Bureau.

Construction and operation of pollution prevention & treatment facilities:

The “Three Wastes” were collected and treated effectively in strict compliance with the “Three Simultaneous” system. The sewage treatment facilities with an investment amount of over RMB30 million have a designed processing capacity of 3,000t/d and adopt the treatment process of “Pre-treatment + Aerobic pool + Hydrolysis acidification tank + SBR + Catalytic oxidation + Air float”. In 2022, the third round of environmental protection improvement has been carried out, including replacing biological deodorization boxes of the sewage station, adding spray towers and reinstalling pretreatment waste gas collection pipeline to reduce the fugitive emission of diffusive waste gas, which has greatly eliminated the peculiar smell around the sewage station. Mufflers were installed at the air emission outlets of the sewage station and the second fermentation division to reduce the airflow sound of air emissions. Sound-absorbing cotton panels have been used to surround the circulating pump and steam compressor of the MVR, which have greatly reduced the noise transmitted by the MVR. Meanwhile, equipment with loud noises has been surrounded by sound-absorbing cotton panels to reduce noise and control the generation and transmission of noise from the source.

Environmental impact assessment of construction projects and status of other environmental protection administrative licensing:

The “Environmental Impact Report on Current Status of Projects of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (《麗珠集團新北江製藥股份有限公司項目現狀環境影響報告書》)” was approved and filed on 6 December 2016; with strict enforcement of the “Three Simultaneous” system and implementation of the environmental protection measures required under the environmental impact assessment, the environmental protection facilities have been functioning properly. On 29 December 2017, approval was granted for the application of a new national pollutant discharge license. The environment protection policies were strictly enforced. On 28 April 2022, the application for the sewage discharge permit for the new plant in Shijiao was completed; on 16 June 2022, the environmental impact assessment of the newly added mixed and compound veterinary drugs in the new plant was completed, and the environmental impact assessment approval was obtained (Qingcheng Shen Pi Huan Biao [2022] No. 12). The work for changing and renewing the pollutant discharge license was completed in December 2022.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(2) Xinbeijiang Pharma *(continued)*

Environmental emergency contingency plan:

Based on the principles of “Focusing on Prevention, On-alert all the time; Management by Classification, Response by Tiers; Cooperation among Departments, Responsibility by Levels; Scientific Prevention and Efficient Disposal”, Xinbeijiang Pharma entered into the issued “Environmental Emergency Contingency Plan of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (《麗珠集團新北江製藥股份有限公司突發環境事件應急預案》)” (File No.: 441802-2021-0162-H) again on 30 September 2021, which has been verified and filed by the Qingyuan Municipal Ecology and Environment Bureau on 22 October 2021. Xinbeijiang Pharma regularly identifies environmental factors and sources of hazards and conducts drills on the emergency contingency plan. An environmental emergency contingency drill was conducted in June 2022 to improve the operability thereof, enhance the performance level of the emergency rescue staff, responsiveness of the rescue team as well as coordination and collaboration of different tasks.

Environmental self-monitoring program:

According to the relevant requirements of the “Measures for Self-Monitoring and Information Disclosure by Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation) (《國家重點監控企業自行監測及信息公開辦法(試行)》)”, the company has completed the establishment of the self-monitoring program based on its own situation in a timely manner and made the program available to the public after being examined by and filed with Qingyuan Environment Protection Bureau. The analysis methods of the monitoring program comply with the national environmental monitoring technical standards and methods; the monitoring and analysis instruments have been examined and calibrated in strict compliance with the relevant national requirements. The automated monitoring equipment for wastewater (COD, ammonia nitrogen, pH, flow) and waste gas (non-methane hydrocarbons) has been installed in accordance with the requirement of environmental assessment technical standards, and the connection between online information and national development platform and Qingyuan municipal platform has been completed. Online monitoring equipment for wastewater has passed the inspection and acceptance of relevant environmental protection authorities. The automated monitoring equipment has been functioning properly and the monitoring information is accurate, valid and authentic. In accordance with the requirements of the specification, a third party is hired to conduct LDAR every six months for workshops that use VOCs. Xinbeijiang Pharma conducts monitoring of diffusive volatile organic compounds around the workshop of the first refinery division on a semiannual basis, and the monitoring results for the whole year of 2022 met the standards.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(3) Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)/(mg/m ³)	Pollutant discharge standards implemented (mg/L)/(mg/m ³)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	120	192	15.37	26.68	Nil
	Ammonia nitrogen (NH ₃ -N)				1.78	40	1.38	5.48	Nil
	Sulphur dioxide	Organized continuous emission	3	Boiler room	3	50	0.125	/	Nil
	Nitrogen oxides				74.85	150	2.051	/	Nil
	Smoke and dust				1.43	20	0.034	/	Nil
	Hydrogen chloride				2.29	100	0.829	/	Nil
	Non-methane hydrocarbons				11.41	60	7.551	77.76	Nil
	Non-methane hydrocarbons				5.25	60	0.815		Nil
	Nitrogen oxides				30	200	2.278	/	Nil
	Sulphur dioxide				3	200	0.467	/	Nil

Notes: 1. The discharge concentration of pollutants in wastewater represents the average concentration by online monitoring from the master discharge outlet by the company into South District Sewage Treatment Plant, while the standard adopted for discharge represents the standard stipulated in the pollutant discharge license of the company, i.e. COD ≤ 192 mg/L, ammonia nitrogen ≤ 40 mg/L.

2. The discharge concentration of pollutants in the discharge outlets of waste gas represents the average concentration detected by a qualified third party engaged, of which the boiler exhaust adopted the Emission Standards for Boiler Air Pollutants in Guangdong Province (《廣東省鍋爐大氣污染物排放標準》) (DB 44/765-2019), the waste gas of the workshop and wastewater treatment station complied with the Air Pollutant Discharge Standards for Pharmaceutical Industry (《製藥工業大氣污染物排放標準》) (GB 37823-2019).

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(3) Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司) *(continued)*

Construction and operation of pollution prevention & treatment facilities:

The “Three Wastes” were treated in a centralized and effective manner in strict compliance with the “Three Simultaneous” system and the maintenance and management of pollution prevention & treatment facilities were enhanced to ensure that pollutant discharge was stable and in compliance with the required standard. The treatment process of “pre-treatment of drainage from the production process + hydrolytic acidification + Upflow Anaerobic Sludge Bed (UASB) + advanced oxidation + Cyclic Activated Sludge System (CASS) process + air floatation/ozonation advanced treatment” was adopted. Treated sewage was discharged into Zhuhai Leaguer Environmental Protection Co., Ltd. (珠海力合環保有限公司) (water purification plant in the South District) through the municipal sewage pipeline network.

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The Environmental Impact Assessment Report on Current Status of the Product Structure and Production Capacity Adjustment Project of Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《珠海保稅區麗珠合成製藥有限公司產品結構及產能調整項目現狀環境影響評價報告》) was approved in December 2016. In 2021, the environmental impact assessment for expansion of 14 new products including paliperidone palmitate (棕櫚酸帕利哌酮), aripiprazole (阿立哌唑), bismuth potassium citrate (枸橼酸鉍鉀), i.e. the “Environmental Impact Assessment Report on Technological Renovation and Expansion Project of Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.” (《珠海保稅區麗珠合成製藥有限公司技改擴建項目環境影響評價報告》), passed the expert review, and obtained approval on 20 January 2022. The company strictly enforced the “Three Simultaneous” system and implemented environmental protection measures as required under environmental impact assessment with normal operation of the environmental protection facilities. In 2022, it was awarded the green card enterprise of environmental credit rating by Zhuhai Municipal Ecology and Environment Bureau. In March 2022, the revision and filing of the emergency plan for environmental emergencies was completed.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(3) Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司) *(continued)*

Environmental emergency contingency plan:

Pursuant to relevant provisions and requirements, the Environmental Emergency Contingency Plan of Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《珠海保稅區麗珠合成製藥有限公司突發環境事件應急預案》) was prepared based on the principles of "Focus on Prevention, Aim at Self-rescue, Centralized Command, and Division of Responsibility (預防為主、自救為主、統一指揮、分工負責)", which has been approved for filing and formally announced with file reference number 440462-2019-001-M. Trainings on emergency events and disposal measures were held regularly for employees to enable implementation of safety measures in a timely, fast, effective and orderly manner to control and prevent the worsening of condition and pollution when encountering any occurrence of environmental emergency cases, so as to alleviate or eliminate the consequences effectively and resume orderly production as soon as possible.

Environmental self-monitoring program:

Through self-monitoring, the requirements under the Technical Standards for Application and Issuance of Pollutant Discharge License for the Pharmaceutical Industry – Active Pharmaceutical Ingredient Manufacturing (HJ858.1-2017) (《排污許可證申請與核發技術規範製藥工業—原料藥製造(HJ858.1-2017)》) were strictly implemented, and the monitoring and analysis instruments were examined and calibrated in strict compliance with relevant provisions. The automated monitoring equipment was installed in accordance with the requirements of environmental assessment technical standards, while online monitoring equipment for non-methane hydrocarbons, COD, ammonia nitrogen and pH level were installed and connected with the national development platform as required. In 2022, a third party was entrusted to conduct LDAR inspection, discharge outlet inspection, factory boundary noise monitoring and soil inspection on a regular basis, and the inspection results were all up to the standard.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(4) Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Chemical oxygen demand	Continuous	1	Southeastern part of the factory zone	46.37	120	11.274	108	Nil
	Ammonia nitrogen				9.80	35	2.381	31.5	Nil

Note: The discharge concentration represents the concentration of ultimate discharge into the environment, while the standard adopted for discharge represents the standard stipulated in the pollutant discharge license of the company, i.e. COD ≤ 120 mg/L, ammonia nitrogen ≤ 35 mg/L.

Construction and operation of pollution prevention & treatment facilities:

At the same time when the enterprise started production, the “Three Wastes” were collected and treated effectively in accordance with the requirements of the “Three Simultaneous” system of environmental protection. This involves a designed sewage treatment capacity of 1,200 t/d, adoption of the advanced “Anaerobic-Oxic activated sludge process (A/O) + SBR + nitrogen removal by denitrification + Fenton decolorizing + air flotation” wastewater treatment process, 6,000 m³ of effective reservoir capacity of the treatment system and more than 20 sets of treatment equipment with 350 KW installed capacity to improve the water treatment process, thus ensuring that all wastewater treatment indicators are stable and satisfy the discharge standard. Treated sewage that reaches the grade II discharge standard is directly discharged into Minjiang River. The hazardous waste of the company are entrusted to qualified companies for compliant disposal according to the requirements of environmental impact assessment and acceptance inspection opinions. In 2022, the boiler exhaust treatment facilities were upgraded.

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The company passed the environmental impact assessment on 30 June 1999 and the inspection and acceptance upon completion of construction carried out by Environmental Protection Bureau of Fujian Province on 5 June 2000. The company re-prepared its post-environmental impact assessment report in 2019 and passed the inspection and acceptance carried out by experts on 11 June 2019. The company strictly enforced the “Three Simultaneous” system and implemented the environmental protection measures as required under environmental impact assessment, with normal operation of the environmental protection facilities. In September 2022, the clean production passed the on-site inspection and acceptance of the Ecology and Environment Bureau, and in October 2022, it obtained the inspection and acceptance opinions of the Ningde Environmental Protection Science Research Institute.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(4) Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司) *(continued)*

Environmental emergency contingency plan:

Pursuant to relevant provisions and requirements, the Environmental Emergency Contingency Plan of Gutian Fuxing Pharmaceutical Co., Ltd. (《古田福興醫藥有限公司突發環境事件應急預案》) (File No.: 352200-2017-005-L) was prepared based on the principles of “Focus on Prevention, Aim at Self-rescue, Centralized Command and Division of Responsibility (預防為主、自救為主、統一指揮、分工負責)”, which was approved in May 2017. The second amendment of the contingency plan was made in June 2020, which passed expert review and completed filing (File No.: 350922-2020-002-M).

According to the plan, the company conducted an emergency drill for sudden hydrochloric acid leakage in September 2022, and after environmental emergency incidents occur, immediate, quick, effective and orderly emergency rescue actions can be taken to control and prevent accidents and the spread of contamination, protect the surrounding environment effectively and ensure the personal life and property safety of all employees, the company and the nearby communities. In accordance with the contents and requirements of the plan, the company provides trainings for its employees. The company is well-prepared for environmental emergency incidents, so that rescue actions could be taken in a timely manner and incidents could be controlled effectively in a short period of time in case of any environmental emergency incidents.

Environmental self-monitoring program:

According to the relevant requirements of the “Measures for Self-Monitoring and Information Disclosure by Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation) (《國家重點監控企業自行監測及信息公開辦法(試行)》)”, the company has completed the establishment of the self-monitoring program based on its own situation in a timely manner and made the program available to the public after being examined by and filed with Ningde Ecology and Environment Bureau and Ningde Gutian Ecology and Environment Bureau. The analysis methods of the monitoring program comply with the national environmental monitoring technical standards and methods; the monitoring and analysis instruments have been examined and calibrated in strict compliance with the relevant national requirements; the automated monitoring equipment has been installed in accordance with the requirements of environmental assessment technical standards, connected to the network of competent environmental protection authorities and passed the acceptance inspection conducted by the competent environmental protection authorities. The automated monitoring equipment was sound, and the monitoring information was accurate, valid and authentic. In June and December 2022, a qualified third party was engaged on two occasions to complete the leakage detection and repair (LDAR) work of volatile organic compounds and relevant reports were obtained. Information publicity website: <http://wryfb.fjemc.org.cn>

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(5) Limin Factory

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Limin Factory	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	19.00	110	4.86	Nil	Nil
	Ammonia nitrogen				0.51	15	0.14	Nil	Nil

Note: The wastewater of Limin Factory was discharged into Shaoguan Second Sewage Treatment Plant (韶關市第二污水處理廠) and the standard adopted for pollutant discharge represented the standard stipulated in the pollutant discharge license of the company, i.e. COD ≤ 110mg/L, ammonia nitrogen ≤ 15mg/L, while the data detected by third party inspection firm was adopted as the discharge concentration.

Construction and operation of pollution prevention & treatment facilities:

The “Three Simultaneous” system was strictly implemented by the company for the treatment of “Three Wastes” by collecting and treating the “Three Wastes” effectively. The original sewage treatment plant with an investment amount of over RMB13 million has a designed processing capacity of 1,500t/d and adopts the treatment process of “Pre-treatment + Hydrolysis acidification tank + Facultative tank + Aerobic pool + Secondary sedimentation”, and the sewage after treatment was discharged into Shaoguan Second Sewage Treatment Plant (韶關市第二污水處理廠) through the municipal pipeline network. In respect of waste gas treatment, biomass boilers were all replaced by gas boilers. The technical transformation project of the R&D center has installed waste gas treatment facilities such as activated carbon adsorption and acid mist spray tower. In respect of control of noise pollution, investment was made to construct noise segregation wall to reduce noise pollution.

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The Environmental Impact Report on the Technological Reform Project for the R&D Center of Livzon Group Limin Pharmaceutical Manufacturing Factory (《麗珠集團利民製藥廠研發中心技改項目環境影響報告表》) was approved on 6 December 2019. A review expert meeting was held on 24 April 2021, and independent review was completed. The Environmental Impact Report for Workshop II of Small-capacity Injection (《小容量注射劑二車間項目環境影響報告表》) was approved on 23 November 2020. On 15 September 2021, a review expert meeting was held, and independent review was completed. The national pollutant discharge license was updated on 22 October 2021. The “Three Simultaneous” system was strictly enforced to implement the environmental protection measures required under the environmental impact assessment, with normal operation of the environmental protection facilities. In September 2022, Limin Pharmaceutical Manufacturing Factory passed the on-site review on clean production by the expert group. In the future, it will continue to explore the potential of energy conservation and emission reduction, establish and improve the clean production mechanism and continuously enhance the level of clean production. It was recognized as a green enterprise in the environmental credit rating by Shaoguan Municipal Ecology and Environment Bureau consecutively from 2019 to 2022.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(5) Limin Factory *(continued)*

Environmental emergency contingency plan:

The principles of occupational health and safety and the environment administrative system were followed, including occupational protection to ensure health, risk control to ensure safety, prevention and control of pollution to protect the environment, and compliance with discipline and law for continuous improvement. Identification of environmental factors was performed seriously and preventive measures were adopted for significant environmental factors, while the governance of the "Three Wastes" was strengthened to enhance the ability of control over the "Three Wastes" and ensure that the discharge of the "Three Wastes" had reached the discharge standards. The Environmental Emergency Contingency Plan of Livzon Group Limin Pharmaceutical Manufacturing Factory (《麗珠集團利民製藥廠突發環境事件應急預案》) (File No.: 440203-2021-009-L) was prepared in accordance with the criteria of the environmental management system and the occupational health and safety administrative system. The plan was issued in May 2021. According to the requirements of the contingency plan, an environmental accident emergency drill was conducted on 24 September 2021, and a specific drill summary was made. Identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on regular basis to improve the operability of the contingency plan, enhance the performance level of the emergency rescue staff, responsiveness of the rescue team as well as coordination and collaboration of different tasks.

Environmental self-monitoring program:

An entity with national qualification on inspection was engaged to conduct monitoring strictly in compliance with the relevant national laws and regulations and standards. By considering its own specific conditions, the company appointed the inspection party to carry out water pollutant detection monitoring every quarter, boiler waste gas monitoring every month and R&D Center VOCs waste gas monitoring every six months, each time the monitoring would be conducted strictly in compliance with the relevant national requirements to ensure the accuracy, validity and authenticity of the monitoring data. The online monitoring equipment for COD and ammonia nitrogen in water passed the acceptance inspection and the equipment was put into operation in January 2021, and it will perform monitoring every 2 hours. Data should be completed and filed to the Pollutant Source Sharing Data Platform of the Shaoguan Municipal Ecology and Environment Bureau on a timely basis, and the relevant data would be announced to the public after being reviewed by the Shaoguan Municipal Ecology and Environment Bureau.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(6) Pharmaceutical Factory

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Pharmaceutical Factory	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	17.65	120	2.22	Nil	Nil
	Ammonia nitrogen			Wastewater treatment station	0.10	20	0.012	Nil	Nil

Note: The discharge concentration of pollutants in the wastewater discharge outlet represents the average concentration detected by a qualified third party engaged, by implementing the strictest of Schedule 2 Water Pollutant Discharge Concentration Limits for Newly-Built Enterprises (表 2 新建企業水污染物排放濃度限值) of the Emission Standard for Pharmaceutical Industrial Water Pollutants from Mixing and Formulation Category (《混裝製劑類製藥工業水污染物排放標準》) (GB 21908-2008), Schedule 2 Water Pollutant Discharge Concentration Limits for Newly-Built Enterprises (表 2 新建企業水污染物排放濃度限值) of Discharge Standards for Biopharmaceutical Industrial Wastewater (《生物工程類製藥工業水污染物排放標準》) (GB 21907-2008), or the level 1 of phase II standard of Guangdong Provincial Capping on Polluted Effluents Discharge (《廣東省水污染物排放限值》) (DB 44/26-2001).

Construction and operation of pollution prevention & treatment facilities:

The “Three Simultaneous” system was strictly implemented by the company for the treatment of “Three Wastes” by collecting and treating the “Three Wastes” effectively. For wastewater: an investment of over RMB10 million was made for phase I and phase II sewage treatment station with a designed processing capacity of 1,000t/d, which adopted the CASS process for phase I and the A/O process for phase II, and the sewage after treatment was discharged into sewage treatment plants through the municipal pipeline network. For waste gas: currently, the company uses purchased steam and uses the boilers as backups, greatly reducing air emissions. The waste gas of the wastewater treatment stations is treated by a combination of first-level spray towers, Ultra Violet (UV) photoion equipment and second-level spray towers.

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The Environmental Impact Assessment Report on Expansion Project for Production Line of Recombinant Human Chorionic Gonadotropin for Injection of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠) was approved in March 2018; the Environmental Impact Assessment Report on Expansion Project for Sewage Treatment Stations of Livzon Group Livzon Pharmaceutical Factory was approved in April 2019; the Environmental Impact Assessment Report on Expansion Project for Production Line of lyophilized Powder Injection of Livzon Group Livzon Pharmaceutical Factory was approved in November 2020. The Environmental Impact Report Form for the Newly-added Wet Granulation Line Project P07 of Livzon Group Livzon Pharmaceutical Factory was approved on 18 May 2022. Pharmaceutical Factory updated the pollutant discharge permit in June 2022. The Environmental Impact Report Form for New Boilers and Boiler Low – nitrogen Transformation Project was approved on 19 August 2022. The company will strictly enforce the “Three-simultaneous” system to implement the environmental protection measures as required by environmental assessment.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(6) Pharmaceutical Factory *(continued)*

Environmental emergency contingency plan:

Pursuant to relevant provisions, the Environmental Emergency Contingency Plan of Livzon Group Livzon Pharmaceutical Factory (《麗珠集團麗珠製藥廠突發環境事件應急預案》) was updated by the company in 2021, and has been approved for filing approval and announced, with the filing number 440404-2021-0212-L. The company conducted a fire emergency evacuation drill in the workshop P10 in April 2022 to enhance emergency response capabilities of staff, so as to alleviate or eliminate the consequences effectively; on 21 October 2022, a special emergency response plan drill for alcohol leakage (causing fire and explosion) was carried out to train the emergency response team, enhance the emergency execution and disposal ability of the emergency drill participants, further clarify the responsibilities and tasks of relevant personnel, improve the emergency linkage mechanism, improve the awareness of risk prevention and the ability of self-rescue and mutual rescue.

Environmental self-monitoring program:

Inspection party with national qualification on inspection was engaged to conduct monitoring strictly in compliance with the relevant national laws and regulations and standards. By considering its own specific conditions, the company appointed the inspection party to carry out monitoring on wastewater and waste gas every month, each time the monitoring would be conducted strictly in compliance with the relevant national requirements to ensure the accuracy, validity and authenticity of the monitoring data. The installation and commissioning of the online sewage monitoring equipment was completed and it was put into use at the beginning of 2021.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(7) Ningxia Pharma

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)/(mg/m ³)	Pollutant discharge standards implemented (mg/L)/(mg/m ³)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Ningxia Pharma	Chemical oxygen demand	Continuous	1	Sewage treatment workshop on north side of factory zone	108	200	110.47	Nil	Nil
	Ammonia nitrogen				0.6	25	0.74	Nil	Nil
	Sulphur dioxide		1	Boiler workshop on north side of factory zone	92	200	24.46	156.816	Nil
	Nitrogen oxides				138	200	72.72	156.816	Nil
	Particulate matter				14	30	6.11	23.522	Nil
	Volatile organic compounds			9	4 outlets for fermentation, 3 outlets for refinery and 2 outlets for sewage	2.2	100	5.38	79.535

Notes: (1) The discharge concentration of wastewater represents the concentration of ultimate discharge to the environmental protection control center of Ningxia Xin'an Technology Co., Ltd. (寧夏新安科技有限公司) ("Xin'an Company"), the standard adopted for discharge was the standard stipulated in the pollutant discharge license of the company and the amount of discharge was calculated by the amount received by Xin'an Company. In respect of the total amount of approved discharge, since Ningxia Pharma adopted indirect discharge, the local government of Ningxia cancelled the limitation of total discharge of chemical oxygen demand and ammonia nitrogen of all indirect discharge enterprises, and the total amount index was directly allocated to sewage treatment plants in the pharmaceutical industrial park established by the government after the renewal of the pollution discharge license.

(2) The air emission concentration of boilers represents the self-monitoring average concentration throughout the year, the standard adopted for discharge was the standard stipulated in the pollutant discharge license of the company and the amount of discharge was calculated by the amount indicated by online monitoring. The concentration of volatile organic compounds represents the concentration of ultimate discharge to the environment (self-monitoring concentration), the adopted standard was the standard limits stipulated in Schedule I of the Air Pollutant Discharge Standards for Pharmaceutical Industry (《製藥工業大氣污染物排放標準》) (GB 37823-2019) and the amount of discharge was calculated by the amount of waste gas emissions and the discharge concentration recorded by the monitoring report.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(7) Ningxia Pharma *(continued)*

Construction and operation of pollution prevention & treatment facilities:

Through strict enforcement of the “Three Simultaneous” system, the “Three Wastes” were collected and treated effectively. The designed total processing capacity of sewage treatment was 7,500 m³/d (including one plant with capacity of 5,000 m³/d and one plant with capacity of 2,500 m³/d), and the actual total treatment amount was 3,100 m³/d. After the treated wastewater reaches the standard stipulated in the pollutant discharge license, it will be discharged to Xin’an Company through the sewage pipeline network in the industrial park. In 2021, the installation and use of waste gas collection and treatment facilities for hazardous waste stations were completed, and doramectin fermentation waste gas of fermentation workshop 101 was introduced into the specific waste gas treatment facility for doramectin fermentation waste gas of fermentation workshop 102, and a primary sedimentation tank was added to the sewage treatment station to lead out waste gas for treatment. In 2022, the company primarily completed the construction of the following pollution prevention & treatment facilities: 1. construction of the exhaust sampling port and sampling platform of the waste gas collection and treatment facilities of the hazardous waste repository; 2. reconstruction of the fresh air supply facility in the bacteria residue crushing room by moving the fresh air supply fan originally installed in the middle of the wall to the bottom of the wall and installing a new fresh air supply fan; 3. upgrading and improvement of the original waste gas treatment facilities in the 103-2 fermentation workshop by mainly adding a set of “sodium hypochlorite spray absorption + water spray absorption + biphasic ozone water + micro-nano bubbles” process treatment facilities; 4. construction of leakage prevention facilities for emergency pool of hazardous chemicals warehouse; 5. replacement of the damaged cover plate of sludge storage tank; 6. re-sealing of the cover plate of the pre-aeration tank for sewage treatment and repairment of sealing of the water seal groove of No.1 sedimentation tank cover plate by sealing the original pre-aeration tank cover plate with glass wool cloth + epoxy resin and painting the rusted pipeline again as well as repairing and welding the damaged part of the water seal groove of No. 1 sedimentation tank cover plate; 7. construction of rainwater and sewage diversion facilities in the factory area by laying and installing rainwater collection pipe network facilities with a total length of approximately 1,000 meters.

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The environmental protection inspection for completion of doramectin expansion project was completed in March 2021. In September 2021, expert review and government filing were completed for the environmental impact evaluation of project work upon optimized disposal of the company’s solid waste. The company applied to change its pollutant discharge permit and passed the review of the Pingluo Branch of Shizuishan Municipal Ecology and Environment Bureau in December 2021. In December 2022, the company passed the identification of Shizuishan municipal green plant and prepared an environmental impact assessment report on the increase of phenylalanine production capacity (currently under review by experts). The company reported to the national pollution discharge license management information platform (pollution discharge implementation report) and the ecological environment statistics business system (enterprise environment statistics report) quarterly. In 2022, the company also completed the second round of rectification of non-compliance under the supervision of central environmental protection authorities, independent acceptance and government acceptance. The company strictly enforced the “Three Simultaneous” system to implement the environmental protection measures as required by environmental assessment, and the environmental protection facilities were in normal operation.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(7) Ningxia Pharma *(continued)*

Environmental emergency contingency plan:

The Environmental Emergency Contingency Plan of Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (《麗珠集團(寧夏)製藥有限公司突發環境事件應急預案》) was verified, filed and issued in May 2019 (File No.: 640221-2019-005-II). Identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on regular basis to improve the operability of the contingency plan, enhance the performance level of the emergency rescue staff, and enhance the responsiveness and coordination of the rescue team in terms of integrated coordination and collaboration capabilities. The Environmental Emergency Contingency Plan was amended in May 2021, and passed expert review and was reviewed by and filed with government environmental department in August 2021.

Environmental self-monitoring program:

The company formulated the self-monitoring program for 2022, which was reviewed by and filed with Shizuishan Municipal Ecology and Environment Bureau. Monthly and quarterly monitoring was carried out strictly in accordance with the requirements of the program, which focused primarily on organized air emissions, air emissions from boilers, wastewater, underground water, soil, diffusive environmental air, noise and recycled water TOC at plant boundary. The monitoring results would be announced to the public through the System of National Pollution Sources Monitoring Information Management and Sharing Platform (《全國污染源監測信息管理與共享平台系統》) and the System of Self-monitoring Information Open Platform for Enterprises in Shizuishan (《石嘴山市企業自行監測信息公開平台系統》). The leakage detection and repair (LDAR) work of volatile organic compounds was carried out. The automated monitoring equipment was passed the inspection and acceptance conducted by the competent environmental protection authority and connected to the network of the competent environmental protection authority. The automated monitoring equipment was sound, and the monitoring data was accurate, valid and authentic.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(8) Jiaozuo Hecheng

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Jiaozuo Hecheng	Chemical oxygen demand	Continuous	1	Master outlet in industrial wastewater workshop	99.213	220	8.037	60.8	Nil
	Ammonia nitrogen				3.483	35	0.281	8.8	Nil

Note: The discharge concentration and the total amount of discharge represent the concentration and total amount of ultimate discharge into the downstream sewage treatment plant, and the source is online monitoring data.

Construction and operation of pollution prevention & treatment facilities:

The "Three Wastes" were collected and treated effectively in strict compliance with the "Three Simultaneous" system. The designed sewage treatment capacity was 3,000t/d, the treatment process of "hydrolytic acidification tank + UASB + aerobic pool + materialized treatment" was adopted, the treated wastewater would be discharged into the sewage treatment plant of Xiuwu Branch of Kangda Water Co., Ltd. (康達水務有限公司修武分公司) through the municipal pipeline network.. The sewage treatment facilities were under normal operation with compliant discharge. For waste gas: in 2021, the three-stage sewage spraying was replaced, and a set of waste gas treatment facilities was added in the UV photolysis sewage station. Waste gas would be discharged after standard was met. Waste gas generated from technical process in the production zone would be collected and treated by adopting two sets of processes of "water spray + active carbon and -20℃ condensation + water spray + active carbon" and then discharged after reaching the required standard. Solid waste and hazardous waste would be stored in the hazardous waste station constructed in compliance with the requirements of "Three Protections" (protection against leaks, erosion and rain) according to the requirements under the (Pilot) Guidelines for Standardized Management of Hazardous Waste in Henan Province (《河南省危險廢物規範化管理工作指南(試行)》). In January 2022, a self-monitoring and automatic monitoring equipment comparison contract was signed with Henan Zhongfang Quality Inspection Technology Co., Ltd. (河南中方質量檢測技術有限公司) to monitor the company's discharge outlets on a regular basis; in January 2022, an operation and maintenance contract in relation to online continuous monitoring system for water quality was signed with Jiaozuo Lansheng Environmental Technology Service Co., Ltd. (焦作市藍晟環保技術服務有限公司) to maintain the company's online continuous monitoring system for water quality. In April 2022, the company entered into a hazardous waste disposal agreement with Henan Zhonghuanxin Environmental Technology Co., Ltd. (河南中環信環保科技有限公司) for disposal of hazardous waste on regular basis. Other general solid waste would be disposed of in compliance with the relevant requirements. In March 2022, the company entered into a sewage discharge quality standard agreement with Xiuwu Branch of Kangda Environmental Protection Water Service Co., Ltd. (康達環保水務有限公司) and a LDAR testing agreement with Shandong Xianglong Environmental Testing Co., Ltd. (山東祥隆環境檢測有限公司) in the same month. In July 2022, the company entered into a gas online operation and maintenance contract with Jiaozuo Kailin Environmental Protection Technology Co., Ltd. (焦作市凱霖環保科技有限公司).

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(8) Jiaozuo Hecheng *(continued)*

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The Environmental Impact Assessment Report on Current Status of Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《焦作麗珠合成製藥有限公司現狀環境影響評估報告》) was approved and filed on 15 December 2016, the “Three Simultaneous” system was strictly enforced, the environmental protection measures as required by environmental assessment were implemented and the environmental protection facilities were in normal operation. The application for the national pollutant discharge license was completed in December 2020, the environmental protection policies were strictly enforced and various management tasks were implemented. According to the spirit of the Notice of the Office of the Leading Group of Pollution Prevention and Control Battle in Jiaozuo on Focusing on Air Pollution Prevention and Control in May 2022 (《焦作市污染防治攻堅戰領導小組辦公室關於做好 2022 年 5 月份大氣污染防治攻堅重點工作的通知》), the “one enterprise, one policy” plan for Jiaozuo Hecheng, a VOCs discharge enterprise, was formulated in 2022. In May 2022, the Enterprise’s Commitment to Environmental Protection by Legal Operation for 2022 was formulated.

Environmental emergency contingency plan:

The Environmental Emergency Contingency Plan of Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《焦作麗珠合成製藥有限公司突發環境事件應急預案》) was prepared in accordance with the relevant provisions and requirements and based on the principles of “Focusing on Prevention, On-alert all the time; Management by Classification, Response by Tiers, Cooperation among Departments, Responsibility by Levels; Scientific Prevention and Efficient Disposal”. The contingency plan was approved for announcement and filing in April 2021 (File No.: 4108042018005L). The Hazardous Waste Environmental Pollution Emergency Contingency Plan of Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《焦作麗珠合成製藥有限公司危險廢物環境污染事故應急預案》) was compiled and was approved for filing in January 2018. Identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on regular basis to improve the operability of the contingency plan, enhance the performance level of the emergency rescue staff, and enhance the responsiveness and coordination of the rescue team in terms of integrated coordination and collaboration capabilities. The company carried out trainings on the Standard Operating Procedure for Acid Mist Purification Towers (《酸霧淨化塔標準操作規程》) and the Operating Procedure for Hazardous Waste Storage Pollutants (《危險廢物貯存污染物操作規程》) in April 2021 and June 2021, respectively, according to the relevant requirements of the Hazardous Waste Environmental Pollution Emergency Contingency Plan of Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《焦作麗珠合成製藥有限公司危險廢物環境污染事故應急預案》). In November 2021, the Operation Regulations for Exhaust Gas UV Photolysis Equipment (《尾氣 UV 光解設備操作規程》) was added and the Spray Towers Operation Regulations (《噴淋塔操作規程》) was amended, and training was carried out on the Operation Regulations for Exhaust Gas UV Photolysis Equipment and the Spray Towers Operation Regulations to enhance the environmental protection knowledge of staff. In March 2022, the environmental protection documents such as the Enterprise Environmental Information Disclosure System (《企業環境信息公開制度》), the Sewage Discharge Permit System (《排污許可證制度》) and the Sewage Treatment Process Operation Regulations (《污水處理工藝操作規程》) were revised.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(8) Jiaozuo Hecheng *(continued)*

Environmental self-monitoring program:

According to the relevant requirements of the Measures for Self-Monitoring and Information Disclosure by the Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation) (《國家重點監控企業自行監測及信息公開辦法(試行)》), the company implemented and completed the self-monitoring program based on its own situation in a timely manner and made the program available to the public after being examined by and filed with relevant competent environmental protection authorities. The analysis methods of the monitoring program comply with the national environmental monitoring technical standards and methods. The monitoring and analysis instruments have been examined and calibrated in strict compliance with the relevant national requirements. The leakage detection and repair (LDAR) of volatile organic compounds was completed in June 2022. The inspection of equipment and facilities such as solvent pipes and flanges in the workshop was conducted and maintenance and rectification were carried out on the places where there was leakage. According to the requirements of environmental testing technical specifications, the company has installed online automatic sewage monitoring equipment, and also installed online monitoring equipment for COD, ammonia nitrogen, pH value, flow rate and total nitrogen, which were connected to the Guofa platform (國發平台) as required. The company carried out monitoring on a monthly and quarterly basis in strict compliance with the requirements of the self-testing scheme, which focused primarily on organized air emissions, wastewater, diffusive environmental air and noise at plant boundary.

(9) Shanghai Livzon

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)/(mg/m ³)	Pollutant discharge standards implemented (mg/L)/(mg/m ³)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Shanghai Livzon	Chemical oxygen demand	Intermittent	1	Master outlet in the park	39.92	50	3.30	6.291	Nil
	Ammonia nitrogen				4.72	5-8	0.38	0.923	Nil
	Particulate matter	Organized intermittent discharge	2	No. 5 and 6 outlets on the roof	-	-	0.008	0.054	Nil
	Volatile organic compounds				8	No. 1, 2, 3, 4, 7, 8, 9 and 10 outlets on the roof	1.35	60	0.03

Note: The discharge concentration was the average of monthly third-party monitoring data, and the amount of discharge was the cumulative sum of monthly discharge. The discharge of VOCs and particulate matter were in accordance with the Air Pollutant Discharge Standards for Pharmaceutical Industry (《製藥工業大氣污染物排放標準》) (GB 37823-2019), and the discharge of COD and ammonia nitrogen were implemented in accordance with the comprehensive sewage discharge standard DB 31/199 – 2018. Shanghai Livzon was among other key pollutant discharge units, but not among the key pollutant discharge units of water environment and atmospheric environment.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(9) Shanghai Livzon *(continued)*

Construction and operation of pollution prevention & treatment facilities:

The company designed and built a sewage treatment station with a processing capacity of 200 m³/d in 2018. The company's wastewater was treated by such sewage treatment station and then entered the park's sewage treatment station for secondary treatment, and finally discharged into the municipal pipeline network. The company had the hazardous waste station in compliance with the requirements of "Three Preventions" to store hazardous waste and appointed a qualified company for compliant disposal. The company's main discharge outlets were treated with activated carbon adsorption and filtration, and the activated carbon was replaced every half a year to ensure that the air emission met the standards. In January 2022, the company demolished the solid preparation workshop on the third floor and transformed it into a microsphere workshop, and there is no particulate matter emission from the No. 5 and No.6 discharge outlets accordingly.

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The company passed the environmental assessment review of the Leuprorelin Acetate Microspheres for Injection Industrialization Project (《注射用醋酸亮丙瑞林微球產業化項目》) on 11 October 2010, obtained the approval for the Environmental Impact Report on Supporting Engineering and Laboratory Projects of Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (《上海麗珠製藥有限公司配套工程及實驗室項目環境影響報告》) on 10 January 2020, and completed the construction and passed the acceptance inspection in September 2020. The company strictly implements the "Three Simultaneous" system and take environmental protection measures required for environmental assessment, with the environmental protection facilities under normal operation.

Environmental emergency contingency plan:

In March 2022, the Environmental Emergency Contingency Plan of Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (《上海麗珠製藥有限公司突發環境事件應急預案》) (File No.: 02-310115-2022-108-L) was filed by the company. The company conducts drills and reviews of the plan every year to improve its emergency response capabilities through regular training on the plan.

Environmental self-monitoring program:

In accordance with the relevant requirements of the General Rules for the Self-Monitoring Technical Guidelines for Pollutant Discharge Units (《排污單位自行監測技術指南總則》) (HJ 819-2017) and the pollutant discharge license, the company organized self-monitoring and information disclosure of the pollutants it has discharged, and formulated the self-monitoring program. In 2022, the company monitors main air emission outlets once a month, common discharge outlets once half a year, noise once every quarter and wastewater once a month. The monitoring items and frequency shall meet the requirements of the pollutant discharge license.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(10) Livzon MAB

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Livzon MAB	Chemical oxygen demand	Intermittent	1	Sewage treatment station	17.65	120	2.88	Nil	Nil
	Ammonia nitrogen		1	Sewage treatment station	0.10	20	0.016	Nil	Nil

Note: The discharge concentration of pollutants in the wastewater discharge outlet represents the average concentration detected by a qualified third party engaged, by implementing the strictest of Schedule 2 Water Pollutant Discharge Concentration Limits for Newly-Built Enterprises (表 2 新建企業水污染物排放濃度限值) of the Emission Standard for Pharmaceutical Industrial Water Pollutants from Mixing and Formulation Category (《混裝製劑類製藥工業水污染物排放標準》) (GB 21908-2008), Schedule 2 Water Pollutant Discharge Concentration Limits for Newly-Built Enterprises (表 2 新建企業水污染物排放濃度限值) of Discharge Standards for Biopharmaceutical Industrial Wastewater (《生物工程類製藥工業水污染物排放標準》) (GB 21907-2008), or the level 1 of phase II standard of Guangdong Provincial Capping on Polluted Effluents Discharge (《廣東省水污染物排放限值》) (DB 44/26-2001).

Construction and operation of pollution prevention & treatment facilities:

The “Three Simultaneous” system was strictly implemented by the company for the treatment of “Three Wastes” by collecting and treating the “Three Wastes” effectively. For wastewater (relying on the wastewater treatment of Pharmaceutical Factory in the park): an investment of over RMB10 million was made for phase I and phase II sewage treatment station with designed processing capacity of 1,000t/d, which adopted the CASS process for phase I and the A/O process for phase II, and the sewage after treatment was discharged into sewage treatment plants through the municipal pipeline network. For waste gas: currently, the company uses purchased steam and takes the boilers as backups, greatly reducing air emissions. The waste gas of the wastewater treatment stations is treated by a combination of first-level spray towers, Ultra Violet (UV) photoion equipment and second-level spray towers.

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The Environmental Impact Assessment Report on the V01 Industrialization Project of Livzon Group Livzon Pharmaceutical Factory was approved in April 2021; the Environmental Impact Report Form for the Expansion Preparation Line 3 of the Large-scale Production Capacity Building Project of Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗) was approved in March 2022. The company updated the pollutant discharge permit in November 2022. The company strictly enforced the “Three Simultaneous” system to implement the environmental protection measures as required by environmental assessment.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(10) Livzon MAB *(continued)*

Environmental emergency contingency plan:

Pursuant to relevant provisions, the Environmental Emergency Contingency Plan of Livzon MAB (《麗珠單抗突發環境事件應急預案》) was prepared by the company in 2022. In June 2022, the company conducted an emergency drill for hazardous chemicals leakage in the hazardous goods warehouse to enhance emergency response capabilities of staff, so as to alleviate or eliminate the impact of the consequences.

Environmental self-monitoring program:

The company entrusted an agency with national testing qualifications to carry out monitoring in strict compliance with relevant national laws, regulations and standards. By considering its own specific conditions, the company entrusted the inspection party to carry out monitoring on wastewater and waste gas on a regular basis in accordance with the requirements of the implementation plan of the pollutant discharge permit, and each time the monitoring was conducted strictly in compliance with the relevant national requirements to ensure the accuracy, validity and authenticity of the monitoring data.

(11) Sichuan Guangda

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge	
								approved (t/a)	Excessive discharge
Sichuan Guangda	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	35.85	500	3.26	Nil	Nil
	Ammonia nitrogen				1.61	45	0.15	Nil	Nil

Note: The wastewater of Sichuan Guangda was discharged into Pengzhou No.1 Sewage Treatment Plant (彭州市第一污水處理廠) and the standard adopted for pollutant discharge represented the standard stipulated in the pollutant discharge license of the company, i.e. COD ≤ 500mg/L, ammonia nitrogen ≤ 45mg/L, while the average of the data detected by a qualified third party entrusted was adopted as the discharge concentration of pollutants at the wastewater outlet.

Construction and operation of pollution prevention & treatment facilities::

The “Three Simultaneous” system was strictly implemented by the company for the treatment of “Three Wastes” by collecting and treating the “Three Wastes” effectively. In respect of sewage treatment, the company utilized the original sewage treatment station with an investment of more than RMB5 million and design treatment capacity of 400 t/d and adopted the treatment process of “regulating tank + anaerobic tank + aerobic tank + air flotation” to treat the wastewater generated in production, and the sewage after treatment was discharged into Pengzhou No.1 Sewage Treatment Plant (彭州市第一污水處理廠) through the municipal pipeline network. In respect of waste gas treatment, the company’s biomass boiler used “cyclone + bag + SNCR + SCR” to treat the waste gas generated. The waste gas from the sewage station was treated by alkali washing spray.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(11) Sichuan Guangda *(continued)*

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The Environmental Impact Filing Report on Technical Transformation Project for Production Line of Chinese Patent Drugs of Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (《四川光大製藥有限公司中成藥生產線技術改造項目環境影響備案報告》) was filed on 27 May 2016 and the filing approval was obtained. The national pollution discharge license was obtained on 23 July 2020. The “Three Simultaneous” system was strictly enforced to implement the environmental protection measures required under the environmental impact assessment, with normal operation of the environmental protection facilities.

Environmental emergency contingency plan:

The principles of occupational health and safe environment administrative system were followed, including occupational protection to ensure health, risk control to ensure safety, prevention and control of pollution to protect the environment, and compliance with discipline and law for continuous improvement. Identification of environmental factors was performed seriously and preventive measures were adopted for significant environmental factors, while the governance of the “Three Wastes” was strengthened to enhance the ability of control over the “Three Wastes” and ensure that the discharge of the “Three Wastes” had reached the discharge standards. The Environmental Emergency Contingency Plan of Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (《四川光大製藥有限公司突發環境事件應急預案》) was prepared in accordance with the criteria of the environmental management system and the occupational health and safety administrative system. The plan was issued on 23 December 2022. Identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on regular basis.

Environmental self-monitoring program:

The company entrusted an agency with national testing qualifications to carry out monitoring in strict compliance with relevant national laws, regulations and standards. By considering its own specific conditions, the company entrusted a third-party inspection company to carry out monitoring on wastewater and waste gas on a regular basis in accordance with the requirements of the implementation plan of the pollutant discharge permit. The Company installed the COD water quality online monitoring equipment at the main sewage outlet to monitor every 2 hours, and the data was automatically uploaded to the platform of the government regulatory department.

In addition to the above disclosures, please refer to the periodic reports disclosed by the Company in previous years for relevant information.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

Whether a social responsibility report has been published

Yes No

The Company will publish the "Environmental, Social and Governance Report" within five months after the end of the financial year under the requirement of Appendix 27 of the Hong Kong Listing Rules.

Relevant information conducive to ecological protection, prevention and control of pollution and performance of environmental responsibilities

Applicable Not applicable

The Company formulated the environmental management targets and carbon emission reduction targets of the Group for 2021-2025, with an aim to reduce carbon emission intensity by 26% in 2025 compared with that in 2020 and striving to achieve carbon neutrality by 2055, so as to contribute to carbon neutrality in China and the world. Please refer to the 2022 Environmental, Social and Governance Report of the Company for relevant information conducive to the Group's ecological protection, prevention and control of pollution, performance of environmental responsibilities.

2. Administrative penalties imposed on the Company and their subsidiaries for environmental issues during the Reporting Period

Applicable Not applicable

3. Measures Taken and Effects on Reducing Carbon Emissions During the Reporting Period

Applicable Not applicable

Company name	Measures taken and effects on reducing carbon emissions during the Reporting Period by key pollutant discharge enterprises of the Group
Fuzhou Fuxing	Used photovoltaic power generation to reduce power consumption; renovated high-energy consuming pumps for energy conservation to effectively reduce energy consumption; replaced with high-efficiency motor water pumps to save energy consumption; vigorously promoted energy conservation and consumption reduction, and called on employees to realize the concept of "turning off lights, air conditioners and computers before leaving office" during their daily work.
Xinbeijiang Pharma	Introduced photovoltaic power generation to reduce power consumption; used water kinetic energy instead of electric motors to drive the cooling tower fans to reduce the electric energy consumption while ensuring the cooling effect; pre-heated the soft water of the boiler by the heat generated from the operation of the air compressor to raise the temperature of the inlet water of the boiler and effectively reduce the consumption of natural gas; regularly cleaned the inner wall of the MVR equipment to increase the evaporation rate of sugar water of the MVR equipment by about 40%, hence effectively reducing the running time of the MVR equipment and greatly reducing electricity consumption; replaced old boilers of high energy consumption and high maintenance cost with new boilers. Accordingly, the average natural gas consumption reduced by 1.06 m ³ per tonne of steam generated.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

3. Measures Taken and Effects on Reducing Carbon Emissions During the Reporting Period *(continued)*

Company name	Measures taken and effects on reducing carbon emissions during the Reporting Period by key pollutant discharge enterprises of the Group
Livzon Hecheng	Maintained and updated chiller units to make more rational use of energy and saved electricity consumption for production through more reasonable production scheduling by the production department; used natural gas as fuel for canteens and boilers; replaced sewage treatment Roots blowers in the environmental protection center with magnetic levitation blowers with an energy saving rate of about 30%, saving about 107,000 kWh of electricity consumption per year; called on all employees of the factory to respond to electricity conservation, turn off lights and air conditioners before leaving office, and limited the minimum temperature of air conditioners; promoted green travel, encouraged the use of public transportation when going out to work, and set up shuttle buses to transport employees to and from work.
Gutian Fuxing	Installed 4 air compressors with a capacity of 130 m ³ /min to replace the original air compressor with high power consumption to reduce power consumption; replaced one chiller unit to reduce electricity consumption; called on all employees to “save every drop of water, save every kilowatt of electricity”, so that the lights are turned off and the equipment is powered off before leaving office.
Limin Factory	Appropriately adjusted the temperature and humidity settings of the air conditioning system (within the standard range) in the solid workshop to keep it as close to the outside temperature and humidity as possible, thus reducing steam consumption; reduced energy consumption by controlling the number of running compressors in the air conditioning units and setting parameters by the Quality Control Department, and by implementing intermittent use mode for the bioassay lab; used hot tailwater from the water distiller in the production workshop to heat the boiler soft water, thus reducing the consumption of natural gas; renovated the air-conditioning ventilation system at the R&D Centre to save electricity.
Pharmaceutical Factory	Reduced electricity consumption by replacing incandescent lamps with LED lamps; refurbished photovoltaic inverter cabinets and roof-mounted photovoltaic modules, improving the photovoltaic power generation efficiency after refurbishment, saving about 600,000 kWh of electricity per year; introduced purchased steam to reduce boiler combustion and save energy; further strengthened the energy conservation management of functional departments, turned off lights during the lunch break, encouraged employees to turn off lights and computers to save electricity before leaving seats or office; set up shuttle buses to transport employees to and from work.
Ningxia Pharma	Renovated the phenylalanine concentration system and adopted MVR concentration to replace the original triple-effect concentration system, thus reducing energy consumption by about 50%. Regularly overhauled and maintained the boiler system to ensure the efficient operation of the boiler body and the desulfurization and dust removal facilities. Increased the consumption of steam from external supply to cut the use of coal and reduce carbon emissions.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

3. Measures Taken and Effects on Reducing Carbon Emissions During the Reporting Period *(continued)*

Company name	Measures taken and effects on reducing carbon emissions during the Reporting Period by key pollutant discharge enterprises of the Group
Jiaozuo Hecheng	Collected and reused steam condense to reduce steam consumption, so as to reduce carbon emissions; changed the packaging equipment to automatic packaging to improve production efficiency; vigorously promoted energy saving and consumption reduction internally, called on all employees to "save every drop of water, save every kilowatt of electricity", and uniformly managed the paint in the workshop to eliminate waste; installed additional mirrors behind the steam pipeline drainage valves to observe whether there is steam loss; led the steam condense to the production auxiliary system of the hot water tank and the crystallization tank to reduce the use of steam; changed the lighting in the common areas of the workshop, corridors, etc. to sound – or light-controlled switches and gradually replaced the workshop lighting with LED lights; gradually replaced high energy consuming equipment and facilities in workshops with low energy consuming or automated interlocking devices.
Shanghai Livzon	Further strengthened the daily energy-saving management according to the established energy-saving plan, effectively improved the energy-saving awareness of employees through inspection, publicity and other means, and cultivated good habit of saving water and electricity among employees; optimized the peptide splicing process, increased the peptide splicing yield by more than 10%, thus reducing the power consumption per unit of product; transformed the solid preparation workshop into the powder injection workshop which produces less waste and conserves electricity; while comfortable air conditioning unit (cooling) utilized the chilled water unit in the power room, the multi-expansion air conditioning unit was placed outdoors to use air cooling, saving cooling capacity and reducing energy consumption.
Livzon MAB	Introduced purchased steam to save energy. Effectively improved the energy-saving awareness of employees through inspection, publicity and other means, and cultivated good habit of saving water and electricity among employees; used LED lights to reduce electricity consumption, and encouraged employees to turn off lights and computers to save electricity before leaving office. Set up shuttle buses to transport employees to and from work.
Sichuan Guangda	Used clean energy, improved energy efficiency and eliminated outdated equipment. For example, the construction of new plants adopted the level 1 energy-efficiency motors and related power products, and the concentration equipment adopted the MVR concentration technology with high efficiency, energy saving and low cost. In addition, employees' awareness of energy conservation was effectively improved by strengthening daily management.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. SOCIAL RESPONSIBILITY

During the Year, the Group actively assumed social responsibility, fulfilled the obligations of information disclosure and effectively protected the legitimate interests of the shareholders, creditors and all employees of the Group in strict accordance with the relevant provisions of laws and regulations such as the Company Law, the Securities Law, Shenzhen Listing Rules and Hong Kong Listing Rules, departmental rules and regulations, normative documents and the Articles of Association. Through continuous improvement of the Group's integrated strength, strengthened management of environmental protection, harmonious relationship among the Company and Shareholders, creditors and consumers are achieved.

1. Protection of Shareholders' and Creditors' Rights and Interests

In strict accordance with the relevant provisions of the Company Law, the Securities Law and the Guideline No.1 on Self-Discipline Supervision of Companies Listed on the Shenzhen Stock Exchange – Standardized Operation of Companies Listed on the Main Board of the Shenzhen Stock Exchange, the Group fulfilled the obligation of information disclosure, and disclosed the Group's periodic report and interim announcement realistically, accurately, completely, fairly and promptly with no selective disclosure, ensuring the right of all shareholders to be notified of important matters and operating performance of the Group. At the same time, in order to further strengthen the management of investor relations, the Group engaged in adequate communication with investors through multiple means including telephone, internet, reception of visits from investment research organizations.

During the Year, the Group attached great importance to safeguarding the interests of shareholders and creditors of the Company, conscientiously fulfilled the relevant commitments as scheduled, and promptly informed the creditors of material information related to their interests and actively cooperated with and supported the creditors to understand the finance and operation management of the Group in accordance with the law.

During the Year, the Group attached great importance to the return on the investment made by investors and, in strict compliance with the relevant provisions of the Articles of Association, proposed the 2022 dividend plan. For details, please refer to "XVII. PROFIT DISTRIBUTION AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL OF THE COMPANY" in Section IV of the Report.

2. Protection of Workers' Rights and Interests

The Group strictly abides by the relevant laws and regulations such as the Labor Law and the Labor Contract Law. Since the establishment of the Company, the Group has adhered to the employment guidelines of "Learning virtues from others, keeping harmony despite differences", fully respecting the career development of staff, protecting their legitimate rights and interests, continuously improving their working environment and effectively protecting the production safety of staff. During the Year, the Group maintained harmonious relationship with its employees.

In order to further implement the protection of workers' rights and interests, the Group has formulated and improved remuneration system and welfare mechanism, including salary system and employee incentive mechanism. During the Year, the Company successfully completed the work related to the commencement of the second exercise period of the first grant and the first exercise period of the reserved grant under the 2018 Share Options Incentive Scheme. During the Year, in order to further establish and improve the Company's long-term incentive mechanism, attract and retain outstanding employees, fully motivate the Directors, senior management, mid-level management and relevant core personnel of the Company and effectively integrate Shareholders' interests, the Company's interests and individual interests of the core team members, the Second Phase Ownership Scheme under the "Medium to Long-term Business Partner Share Ownership Scheme" of the Company has been considered and approved in the 2021 annual general meeting held on 20 May 2022.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. SOCIAL RESPONSIBILITY *(continued)*

2. Protection of Workers' Rights and Interests *(continued)*

During the Year, in order to enhance the cohesion and sense of belonging among staff members, the Group held a number of sports competitions and carried out a series of large-scale outdoor activities such as fun athletic meetings, which effectively relieved the stress of staff, enriched their life outside work, facilitated the bonds among staff members and created a harmonious working atmosphere.

3. Safe Production and Environmental Protection

During the Year, the Group strictly implemented and complied with various laws and regulations on environmental protection and occupational health and safety, such as the Environmental Protection Law of the People's Republic of China, the Production Safety Law of the People's Republic of China and the Occupational Disease Prevention and Control Law of the People's Republic of China. Taken "life first, safety first, compliance with laws and regulations, and protection of the environment" as the EHS (environment, health and safety) value concepts, the Group constantly improved the systematic EHS risk control in compliance with the various requirements of the environmental management system and the occupational health and safety management system, regularly publicized the safety and environmental protection information as required by the regulations, and actively improved the public awareness of various types of information.

The manufacturing enterprises of the Group are equipped with sewage treatment facilities, waste gas treatment facilities, noise pollution control facilities, and occupational health and safety protection facilities. In order to further promote energy saving, emission reduction and ensure production safety, the Group continuously increased its investments in safety and environmental protection, actively promoted the upgrading and transformation of various safety and environmental protection facilities, and promoted clean production and standardization of safe production, thus improving the comprehensive utilization rate of resources, reducing the discharge of pollutants and ensuring production safety. Through energy saving and emission reduction, the EHS management system and standardization of safe production, the Group strived to realize the coordinated development among corporate economic benefit, social benefit, and safety and environmental protection benefit.

The manufacturing enterprises of the Group set up special EHS management departments and deployed special EHS management personnel, formulated various safety and environmental management regulations, prepared contingency plans for environmental emergencies and production safety accidents, set up emergency leadership groups and working groups, learned various emergency measures, and regularly organized professional trainings and emergency plan drills for employees. During the Year, the manufacturing enterprises of the Group had no major environmental accidents and production safety accidents, and the annual objectives of safety and environmental protection and plans of each of the manufacturing enterprises were effectively implemented.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

III. CONSOLIDATE AND EXPAND THE ACHIEVEMENTS OF POVERTY ALLEVIATION AND RURAL REVITALIZATION

1. Industrial Revitalization

The Group fully implements the spirit of the important instructions put forward by the CPC Central Committee and the General Secretary. In accordance with the relevant requirements, we have established and implemented the plan of "Astragalus Root (黄芪) Industry Revitalization" and adopted the model of "Company + Base" and "Company + Professional Cooperative", encouraging locals to cultivate and process astragalus root and develop the astragalus root industry with reference to the local conditions to make it a pillar industry for poverty relief in the long-term. The Group will explore the development of the featured astragalus root industry to achieve poverty elimination and promote the construction of the "Chinese Medicine Ecological Base".

"Astragalus Root (黄芪) Industry Revitalization" has been in place since 2017. Datong Livzon Qiyuan Medicine Co., Ltd. (大同麗珠芪源藥材有限公司) ("Datong Livzon"), a subsidiary of the Company, has established its own planting bases in Hunyuan County of Datong City in Shanxi Province and Zizhou County of Yulin City in Shaanxi Province, respectively, and built astragalus root planting bases together with 12 cooperatives and 3 individuals in Tianzhen County of Datong City and Ying County of Shuozhou City in Shanxi Province and Yulin City of Shaanxi Province, covering an area of approximately 33,000 mu and supporting a total of 265 people, thereby effectively promoting the economic development of the corresponding areas in Datong, Shanxi and Yulin, Shaanxi.

During the Reporting Period, the self-built base in Hunyuan County, Datong City, Shanxi Province increased the planting area by 300 mu and employed 55 additional local workers. In addition, in line with the national "rural revitalization strategy", Datong Livzon launched the "Joint Construction by Village and Enterprise" project in cooperation with the village committee of Mazhuang Village, Guan'er Town, Hunyuan County, Datong City, Shanxi Province to carry out the construction of the primary processing plant in the origin of astragalus root planting base. The project has been completed and put into use. In addition, the Company trained approximately 30 managers and planters of the co-built base in Zizhou County, Yulin City, Shaanxi Province on the new version of GAP, and conducted technical guidance and practical training on the traceability system of traditional Chinese medicinal materials. At the same time, the Company established a meteorological observation station in the co-built base in Tianzhen County, Datong City, Shanxi Province and the co-built base in Zizhou County, Yulin City, Shaanxi Province, and conducted environmental testing for all co-built bases to provide data support for their field operation. During the Year, 85 local workers were employed in the co-built bases in Shanxi and Shaanxi, and 184.50 tons of fresh astragalus root were harvested.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

III. CONSOLIDATE AND EXPAND THE ACHIEVEMENTS OF POVERTY ALLEVIATION AND RURAL REVITALIZATION *(continued)*

2. Access to Public Welfare Program for Prevention and Treatment of Chronic Diseases

In order to respond positively to the call of national policy, the Group and the Joincare Group have cooperated and launched the “Public Welfare Program for Prevention and Treatment of Chronic Diseases (普惠慢病防治公益項目)” by combining their own industrial advantages. The program mainly targets at common chronic diseases such as hypertension, hyperlipidemia, cardiovascular and cerebrovascular diseases, and donates treatment drugs to remote areas, including Pravastatin Capsules (普伐他汀鈉膠囊), Amlodipine Besylate Capsules (苯磺酸氨氯地平膠囊), Valsartan Capsules (纈沙坦膠囊), and Isosorbide Bononitrate Tablets (單硝酸異山梨酯片), etc. These drugs can really help families in remote areas, make it convenient for patients in the regions to take drugs nearby, help the families with patients to alleviate medical pressures, and provide timely assistance. Based on actual conditions, assistance was provided for families with patients in remote regions. The project also helps to promote local development of rural revitalization and contributes to the state strategic goal of common prosperity.

Since late 2018 onwards, with the support from local governments and the relevant competent authorities, the “Public Welfare Program for Prevention and Treatment of Chronic Diseases” was smoothly implemented successively in the areas including Chaotian District of Guangyuan City in Sichuan Province, Songpan County of Ngawa Tibetan and Qiang Autonomous Prefecture in Sichuan Province, Jiange County and Pingwu County in Sichuan Province, Hunyuan County, Guangling County and Lingqiu County of Datong City in Shanxi Province, Dongxiang County, Tianzhu County, Linze County and Shandan County in Gansu Province, Xianghai national nature reservation in Jilin Province, Chayu County in Tibet Autonomous Region, Macun District of Jiaozuo City in Henan Province, Huangshan District of Huangshan City in Anhui Province, Suining County in Hunan Province and Fenyi County in Jiangxi Province. As at the End of the Reporting Period, the Company has donated drugs worth RMB1 million to low-income chronic patients in each of the abovementioned regions for the treatment of chronic diseases.

As at 31 December 2022, there were a total of 19 agreements in relation to the Public Welfare Program for Prevention and Treatment of Chronic Diseases, among which 17 were remote areas in need of help and 1 was national nature reservation, which helped more than 6,400 low-income chronic patients. In 2023, it is expected to donate drugs to areas including Gansu, Sichuan, Guizhou and Anhui.

SECTION VI. MAJOR EVENTS

I. FULFILLMENT OF UNDERTAKINGS

1. Undertakings Fulfilled during the Year or Not Yet Fulfilled as at the End of the Year by the Parties to the Undertakings Such as the de facto Controllers, Shareholders, Related Parties, Purchaser of the Company and the Company

Applicable Not applicable

Subject of undertakings	Covenantor	Type of undertakings	Details of undertakings	Date of undertakings	Period of undertakings	Status of fulfillment
Undertakings for share restructuring	-	-	-	-	-	-
Undertakings in acquisition reports or report on changes in equity	-	-	-	-	-	-
Undertakings during asset reorganization	-	-	-	-	-	-
Undertakings during B-to-H Share Conversion of the Company	Baiyeyuan, Jincare and Mr. Zhu Baoguo and Ms. Liu Guangxia (person acting in-concert) (collectively referred to as the "Covenantors" hereinafter)	Other undertakings	Regarding the change of listing place of the Company's domestically listed foreign shares and the listing and trading of such shares on the Main Board of the Hong Kong Stock Exchange by way of introduction (hereinafter referred to as the "B-to-H Share Conversion"), the Covenantors made the non-competition undertakings as follows: <ol style="list-style-type: none"> Subject to Articles 2 and 3 below, the Covenantors together with the companies and individuals controlled by them will not, at present or in the future, engage in businesses in any form which may, directly or indirectly, constitute competition or potential competition with the pharmaceutical research, development, production and sale businesses of Livzon Group from time to time (hereinafter referred to as the "Restricted Businesses"). Upon discovering any new business opportunities which constitute competition with the Restricted Businesses, the Covenantors together with the companies and individuals controlled by them shall immediately notify the Company in writing and offer such business opportunities to Livzon Group in first priority on reasonable and fair terms and conditions. If Livzon Group waives such business opportunities, the Covenantors together with the companies and individuals controlled by them may accept such business opportunities on terms and conditions no more favourable than those made available to Livzon Group. 	10 January 2014	Long-term	In the process of fulfillment

SECTION VI. MAJOR EVENTS

I. FULFILLMENT OF UNDERTAKINGS *(continued)*

1. Undertakings Fulfilled during the Year or Not Yet Fulfilled as at the End of the Year by the Parties to the Undertakings Such as the de facto Controllers, Shareholders, Related Parties, Purchaser of the Company and the Company *(continued)*

Subject of undertakings	Covenantor	Type of undertakings	Details of undertakings	Date of undertakings	Period of undertakings	Status of fulfillment
			<p>3. As long as the Covenantors together with the companies and individuals controlled by them intend to transfer, dispose of, lease, license, or otherwise transfer or license such assets and businesses which may, directly or indirectly, constitute competition or potential competition with the Restricted Businesses (hereinafter referred to as the "Disposals and Transfers"), the Covenantors together with the companies and individuals controlled by them shall provide pre-emptive rights to Livzon Group on equivalent terms. If Livzon Group waives such pre-emptive rights, the Covenantors together with the companies and individuals controlled by them may offer the Disposals and Transfers to other third parties with major terms not more favourable than those made available to Livzon Group.</p> <p>4. The Covenantors together with the companies and individuals controlled by them will not engage in or take part in any business which may harm the interests of Livzon Group and other shareholders by utilizing their relationship with the shareholders of Livzon Group or their capacity as shareholders of Livzon Group.</p>			

SECTION VI. MAJOR EVENTS

I. FULFILLMENT OF UNDERTAKINGS *(continued)*

1. Undertakings Fulfilled during the Year or Not Yet Fulfilled as at the End of the Year by the Parties to the Undertakings Such as the de facto Controllers, Shareholders, Related Parties, Purchaser of the Company and the Company *(continued)*

Subject of undertakings	Covenantor	Type of undertakings	Details of undertakings	Date of undertakings	Period of undertakings	Status of fulfillment
			<p>5. The Covenantors together with the companies and individuals controlled by them will not, directly or indirectly, a) at any time induce or attempt to induce any directors, senior management or consultants of any members of Livzon Group to cease to be employed by Livzon Group or cease to be employees or consultants of Livzon Group (as appropriate), irrespective of whether such persons' act would breach his employment contract or consultancy contract (as appropriate); or b) employ any person within three years after he/she ceases to be a director, senior management or consultant of any member of Livzon Group (other than those who serve as the directors, senior management or consultants of the Company and/or its controlling subsidiaries (excluding Livzon Group) on the date of issuing this letter of undertaking), as such person has or may have any confidential information or trade secrets relating to the Restricted Businesses; or c) alone or jointly with any other persons, through or as a manager, adviser, consultant, employee or agent or shareholder of any person, firm or company that competes with any member of Livzon Group, canvass, or solicit or accept orders from or do business with any persons with whom any member of Livzon Group has done business or solicit or persuade any person who has dealt with Livzon Group or is in the process of negotiating with Livzon Group in relation to the Restricted Businesses to cease to deal with Livzon Group or reduce the amount of business which the person would normally do with Livzon Group or seek more favorable trade terms from any member of Livzon Group.</p>			

SECTION VI. MAJOR EVENTS

I. FULFILLMENT OF UNDERTAKINGS *(continued)*

1. Undertakings Fulfilled during the Year or Not Yet Fulfilled as at the End of the Year by the Parties to the Undertakings Such as the de facto Controllers, Shareholders, Related Parties, Purchaser of the Company and the Company *(continued)*

Subject of undertakings	Covenantor	Type of undertakings	Details of undertakings	Date of undertakings	Period of undertakings	Status of fulfillment
			<p>6. The Covenantors and their controlling subsidiaries further undertake: a) the Covenantors and their controlling subsidiaries (excluding Livzon Group) allow and procure relevant associates (excluding Livzon Group) to allow the independent directors of Livzon Group to review at least once each year the compliance of this letter of undertaking by the Covenantors and their controlling subsidiaries (excluding Livzon Group); b) the Covenantors and their controlling subsidiaries (excluding Livzon Group) shall provide all necessary data for the independent directors of Livzon Group to conduct the annual review and to execute of this letter of undertaking; c) Livzon Group is allowed to disclose in its annual reports or announcements of the decisions concerning the compliance and execution of this letter of undertaking by the Covenantors and their controlling subsidiaries (excluding Livzon Group), when reviewed by independent directors of the Company; d) the Covenantors (and on behalf of their controlling subsidiaries excluding Livzon Group) shall provide annual confirmation in respect of the compliance of the terms of this letter of undertaking for inclusion into annual reports of Livzon Group.</p> <p>7. Commencing from the date of issuing the relevant letter of undertaking, the Covenantors undertake that they shall bear related legal responsibilities and consequences arising from the breach of any terms in the relevant letter of undertaking by the Covenantors (or their controlling subsidiaries excluding Livzon Group, or their associate(s)).</p> <p>8. The above undertakings shall terminate upon occurrence of the following events (whichever is the earliest): a) the Covenantors and any of their controlling subsidiaries cease to be controlling shareholders of Livzon Group; b) The shares of Livzon Group are no longer listed on the Hong Kong Stock Exchange and other stock exchange overseas (save as suspension of trading of the shares of Livzon Group due to any reason(s)).</p>			

SECTION VI. MAJOR EVENTS

I. FULFILLMENT OF UNDERTAKINGS *(continued)*

1. Undertakings Fulfilled during the Year or Not Yet Fulfilled as at the End of the Year by the Parties to the Undertakings Such as the de facto Controllers, Shareholders, Related Parties, Purchaser of the Company and the Company *(continued)*

Subject of undertakings	Covenantor	Type of undertakings	Details of undertakings	Date of undertakings	Period of undertakings	Status of fulfillment
Undertakings made during the implementation of the non-public issuance of A Shares	Joincare and Mr. Zhu Baoguo	Other undertakings	Undertake not to intervene in the Company's business management activities and not to infringe upon the Company's interest.	8 March 2016	Up to the completion date of the execution of the remedial measures of this non-public issuance	In the process of fulfillment
	Zhu Baoguo, Tao Desheng, Yang Daihong, Fu Daotian, Qiu Qingfeng, Zhong Shan, Xu Yanjun, Guo Guoqing, Wang Xiaojun, Zheng Zhihua, Xie Yun, Xu Guoxiang, Lu Wenqi, Si Yanxia and Yang Liang	Other undertakings	<ol style="list-style-type: none"> Undertake not to transfer benefits to other units or individuals at nil consideration or on unfair conditions, nor to damage the interests of the Company by other means. Undertake to impose restrictions on the spending of directors and senior management in performing their duties. Undertake not to apply any assets of the Company for investments and consumption activities that are irrelevant to the performance of their duties. Undertake that the remuneration system set up by the Board or the remuneration committee will be linked with the implementation of the remedial measures for returns of the Company. Undertake that, if the Company subsequently launches a share incentive scheme, the conditions for exercising the right in respect of the prospective share incentive scheme will be linked with the implementation of the remedial measures for returns of the Company. 	8 March 2016	Up to the completion date of the execution of the remedial measures of this non-public issuance	In the process of fulfillment

SECTION VI. MAJOR EVENTS

I. FULFILLMENT OF UNDERTAKINGS *(continued)*

1. Undertakings Fulfilled during the Year or Not Yet Fulfilled as at the End of the Year by the Parties to the Undertakings Such as the de facto Controllers, Shareholders, Related Parties, Purchaser of the Company and the Company *(continued)*

Subject of undertakings	Covenantor	Type of undertakings	Details of undertakings	Date of undertakings	Period of undertakings	Status of fulfillment
	The Company	Other undertakings	<p>The Company will strictly comply with laws and regulations, such as the Company Law, the Securities Law and the Administrative Measures on the Issuance of Securities of Listed Companies, and the requirements of the CSRC. The Company also undertakes that, from the listing date of the new shares under the non-public issuance:</p> <ol style="list-style-type: none"> The Company shall publish periodic reports and disclose all information having material impact on investors in a true, accurate, complete, fair and timely manner, and be monitored and administered by the CSRC and the Shenzhen Stock Exchange; The Company shall make public clarification on a timely basis once noticing any news that may have misleading impact on the share price from mass media; The directors, supervisors and senior management of the Company shall take consideration of opinions and criticism from the public carefully, and shall not be directly or indirectly engaged in the trading of the Company's shares by taking advantage of inside information acquired and by other inappropriate means. <p>The Company guarantees that there is no false statement or any material omission in the documents submitted to the Shenzhen Stock Exchange, and shall not disclose relevant information without permission of the Shenzhen Stock Exchange during the period of listing application.</p>	19 September 2016	Long-term	In the process of fulfillment
Equity incentive undertakings	-	-	-	-	-	-
Other undertakings to minority Shareholders of the Company	Joincare	Undertaking for decrease in shareholding	<p>Joincare, the Company's controlling shareholder, has made undertakings during the unlocking of selling restrictions of shares subject to selling restrictions. Details are as follows:</p> <ol style="list-style-type: none"> Joincare shall strictly follow relevant provisions of the Guiding Opinions on Transfer of Stock Shares with Unlocked Selling Restrictions of Listed Companies(上市公司解除限售存量股份轉讓指導意見) (2008 No. 15 notice) issued by the China Securities Regulatory Commission when transferring Livzon Group's Shares for circulation with Unlocked Selling Restriction held by it. If Joincare plans to dispose of Livzon Group's Shares for circulation with Unlocked Selling Restrictions held by it through the bidding system of stock exchanges and its reduced shareholding amounts to 5% and more within 6 months from its first reduction date, it will disclose an indicative announcement in respect of selling through Livzon Group within two trading days prior to the first reduction of shareholding. 	17 December 2008	Long-term	During the Year, the covenantors fulfilled their undertakings in good faith.
Fulfillment of undertakings on time	Yes					

SECTION VI. MAJOR EVENTS

I. FULFILLMENT OF UNDERTAKINGS *(continued)*

1. Undertakings Fulfilled during the Year or Not Yet Fulfilled as at the End of the Year by the Parties to the Undertakings Such as the de facto Controllers, Shareholders, Related Parties, Purchaser of the Company and the Company *(continued)*

Subject of undertakings	Covenantor	Type of undertakings	Details of undertakings	Date of undertakings	Period of undertakings	Status of fulfillment
If undertakings are not fulfilled within the stated timeframe, specific reasons for not fulfilling the undertakings and future plans (if any) should be explained in detail	Not applicable					

2. If the Company Has Made Profit Forecast on its Assets or Projects and the Year is Still Within the Profit Forecast Period, the Company Shall Give an Explanation on its Assets or Projects Meeting its Original Profit Forecast and the Reason Thereupon

Applicable Not applicable

II. MATERIAL LITIGATION AND ARBITRATION

Applicable Not applicable

During the Year, there was no material litigation and arbitration matters in the Company. As at the End of the Reporting Period, the total amount involved in other litigations of the Company that did not meet the disclosure standard of material litigation amounted to RMB38.5264 million.

III. QUESTIONING FROM MEDIA

Applicable Not applicable

IV. MATTERS RELATED TO BANKRUPTCY REORGANIZATION

Applicable Not applicable

During the Year, no matters related to bankruptcy reorganization occurred in the Company.

V. INFORMATION ON NON-OPERATING USE OF FUNDS OF THE COMPANY BY CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES

Applicable Not applicable

During the Year, there is no non-operating use of funds of the Company by controlling shareholders of the Company and other related parties.

SECTION VI. MAJOR EVENTS

VI. EXPLANATIONS GIVEN BY THE BOARD OF DIRECTORS, THE SUPERVISORY COMMITTEE AND INDEPENDENT DIRECTORS (IF ANY) ON THE ISSUANCE OF A “NON-STANDARD AUDIT REPORT” FOR THE REPORTING PERIOD BY THE ACCOUNTING FIRM

Applicable Not applicable

During the Year, no explanations shall be given by the Board, Supervisory Committee and the independent Directors as a “Standard Unqualified Audit Report” was issued by the accounting firm.

VII. EXPLANATIONS ON CORRECTION OF MATERIAL ACCOUNTING ERRORS THAT REQUIRE RETROSPECTIVE RESTATEMENT DURING THE YEAR

Applicable Not applicable

VIII. EXPLANATION ON CHANGES IN THE SCOPE OF CONSOLIDATION STATEMENTS IN COMPARISON WITH FINANCIAL REPORT FOR THE PREVIOUS YEAR

Applicable Not applicable

During the Year, the scope of consolidation statements of the Company increased by one controlling subsidiaries, details of which are as follows:

On 12 January 2022, Livzon HK, a controlling subsidiary of the Company, established LIVZON BIOLOGICS (MALAYSIA) SDN. BHD. in Malaysia with a registered capital of MYR100, of which 100% was held by Livzon HK.

SECTION VI. MAJOR EVENTS

IX. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Accounting firm (auditors) currently appointed and their remuneration

On 20 May 2022, after consideration and approval by the 2021 annual general meeting of the Company, consent was granted to renew the appointment of Grant Thornton (Special General Partnership) as the auditor of the Company for the year 2022. As at the End of the Year, Grant Thornton (Special General Partnership) provided the Group with (i) non-annual audit services for the year 2022 at the remuneration of RMB523,000 (tax inclusive), which included review of half-yearly financial statements, capital verification report, etc., and (ii) annual audit services for the year 2022 at the remuneration of RMB2,150,000 (tax inclusive), which included remuneration for auditing the financial statements for the year 2022 and remuneration for internal control audit.

Name of domestic accounting firm	Grant Thornton (Special General Partnership)
Remuneration for domestic accounting firm(RMB0'000)	Remuneration for auditing the financial statements for the year 2022 was RMB1,790,000 (tax inclusive) and remuneration for internal control audit was RMB360,000 (tax inclusive)
Continuous years of auditing services provided by domestic accounting firm	4 years
Names of certified public accountants of domestic accounting firm	Li Encheng (李恩成), Wei Heng (魏恒)
Continuous years of auditing services provided by certified public accountants of domestic accounting firm	4 years, 1 year
Name of overseas accounting firm (if any)	Not applicable
Remuneration for overseas accounting firm (RMB0'000) (if any)	Not applicable
Continuous years of auditing services provided by overseas accounting firm (if any)	Not applicable
Names of certified public accountants of overseas accounting firm (if any)	Not applicable
Continuous years of auditing services provided by certified public accountants of overseas accounting firm (if any)	Not applicable

Declaration of responsibilities borne by Grant Thornton (Special General Partnership) for financial reporting of the Company is set out in the "Audit Report" in Section X of the Report.

Whether there was a change of accounting firm during the Year

Yes No

Whether there was a change of accounting firm during the auditing period

Yes No

Whether approval procedures concerning the change of accounting firm was completed

Yes No

Appointment of accounting firm responsible for internal control audit, financial advisor or sponsor

Applicable Not applicable

During the Year, the Company appointed Grant Thornton (Special General Partnership) as the accounting firm responsible for internal control audit of the Company with remuneration amounting to RMB360,000 (tax inclusive).

SECTION VI. MAJOR EVENTS

X. PUNISHMENT AND RECTIFICATION

Applicable Not applicable

During the Year, the Company was not subject to significant punishment or rectification.

XI. DELISTING AFTER DISCLOSURE OF ANNUAL REPORT

Applicable Not applicable

XII. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLERS

Applicable Not applicable

None of the Company, its controlling Shareholders or de facto controllers have failed to comply with effective court rulings or has any outstanding debt of large value past due.

XIII. SUBSTANTIAL RELATED TRANSACTIONS DISCLOSED PURSUANT TO THE SHENZHEN LISTING RULES

1. Related Transactions in the Ordinary Course of Business

Applicable Not applicable

Related transaction party	Related relationship	Type of related transaction	Details of related transaction	Pricing principle of related transaction	Amount of related transaction (RMB'000)	Percentage in the amount of similar transactions	Whether approved cap has been exceeded	Settlement method of related transaction
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Raw materials	Determined by negotiation based on market price	3,452.55	1.21%	No	Settlement through banks
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Raw materials	Determined by negotiation based on market price	20,826.89	7.31%	No	Settlement through banks
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Purchase of goods	Finished products	Determined by negotiation based on market price	34.35	0.01%	No	Settlement through banks
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Company in which a Director of the Company serves as a director	Purchase of goods	Raw materials	Determined by negotiation based on market price	291.79	0.10%	No	Settlement through banks
Jiangsu Yiyingjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	Company controlled by a Director of the Company	Purchase of goods	Finished products	Determined by negotiation based on market price	268.71	0.09%	No	Settlement through banks
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Water, electricity and power	Determined by negotiation based on market price	3,090.53	7.85%	No	Settlement through banks
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Subsidiary of the controlling shareholder	Receipt of services	R&D services	Determined by negotiation based on market price	224.92	0.57%	No	Settlement through banks
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Modern services	Determined by negotiation based on market price	1.65	0.00%	No	Settlement through banks

SECTION VI. MAJOR EVENTS

XIII. SUBSTANTIAL RELATED TRANSACTIONS DISCLOSED PURSUANT TO THE SHENZHEN LISTING RULES *(continued)*

1. Related Transactions in the Ordinary Course of Business *(continued)*

Related transaction party	Related relationship	Type of related transaction	Details of related transaction	Pricing principle of related transaction	Amount of related transaction (RMB'000)	Percentage in the amount of similar transactions	Whether approved cap has been exceeded	Settlement method of related transaction
Joicare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Processing	Determined by negotiation based on market price	382.26	0.97%	No	Settlement through banks
Guangzhou Joicare Respiratory Drugs Engineering Technology Co., Ltd. (廣州健康元呼吸藥物工程技術有限公司)	Subsidiary of the controlling shareholder	Receipt of services	R&D services	Determined by negotiation based on market price	135.11	0.34%	No	Settlement through banks
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	Company controlled by a Director of the Company	Receipt of services	Business promotion	Determined by negotiation based on market price	208.39	0.53%	No	Settlement through banks
Zuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company serves as a director	Receipt of services	Testing	Determined by negotiation based on market price	13.74	0.03%	No	Settlement through banks
Jiangsu Yiyinjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	Company controlled by a Director of the Company	Receipt of services	Business promotion	Determined by negotiation based on market price	47.36	0.12%	No	Settlement through banks
Zuhai Puxiaoying Enterprise Management Co., Ltd. (珠海市蒲小英企業管理有限公司)	Company controlled by close family members of a Director of the Company	Receipt of services	Business promotion	Determined by negotiation based on market price	25.00	0.06%	No	Settlement through banks
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Finished products	Determined by negotiation based on market price	42.78	0.00%	No	Settlement through banks
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Finished products	Determined by negotiation based on market price	20.63	0.00%	No	Settlement through banks
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Finished products	Determined by negotiation based on market price	-62.07 ^{Note 1}	0.00%	No	Settlement through banks
Guangzhou Joicare Respiratory Drugs Engineering Technology Co., Ltd. (廣州健康元呼吸藥物工程技術有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Finished products	Determined by negotiation based on market price	1.43	0.00%	No	Settlement through banks
Joicare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Finished products	Determined by negotiation based on market price	67.25	0.01%	No	Settlement through banks
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Sale of goods	Finished products	Determined by negotiation based on market price	14.34	0.00%	No	Settlement through banks
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Company in which a Director of the Company serves as a director	Sale of goods	Finished products	Determined by negotiation based on market price	2,858.95	0.23%	No	Settlement through banks
Zuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Company in which a Director of the Company serves as a director	Sale of goods	Finished products	Determined by negotiation based on market price	0.96	0.00%	No	Settlement through banks
Zuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company serves as a director	Sale of goods	Finished products	Determined by negotiation based on market price	70.11	0.01%	No	Settlement through banks

SECTION VI. MAJOR EVENTS

XIII. SUBSTANTIAL RELATED TRANSACTIONS DISCLOSED PURSUANT TO THE SHENZHEN LISTING RULES *(continued)*

1. Related Transactions in the Ordinary Course of Business *(continued)*

Related transaction party	Related relationship	Type of related transaction	Details of related transaction	Pricing principle of related transaction	Amount of related transaction (RMB'000)	Percentage in the amount of similar transactions	Whether approved cap has been exceeded	Settlement method of related transaction
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Finished products	Determined by negotiation based on market price	0.72	0.00%	No	Settlement through banks
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Subsidiaries of a company in which a Director of the Company serves as a director	Sale of goods	Finished products	Determined by negotiation based on market price	298.18	0.02%	No	Settlement through banks
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Provision of services	Processing, testing	Determined by negotiation based on market price	12.91	0.96%	No	Settlement through banks
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Provision of services	Processing	Determined by negotiation based on market price	460.36	34.35%	No	Settlement through banks
Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Subsidiary of the controlling shareholder	Provision of services	Water, electricity and power	Determined by negotiation based on market price	17.21	1.28%	No	Settlement through banks
Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Subsidiary of the controlling shareholder	Provision of services	Processing, testing	Determined by negotiation based on market price	54.59	4.07%	No	Settlement through banks
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Company in which a Director of the Company serves as a director	Provision of services	Water, electricity and power	Determined by negotiation based on market price	711.45	53.09%	No	Settlement through banks
Zuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Company in which a Director of the Company serves as a director	Provision of services	Water, electricity and power, testing	Determined by negotiation based on market price	58.28	4.35%	No	Settlement through banks
Zuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company serves as a director	Provision of services	Water, electricity and power, property services	Determined by negotiation based on market price	73.46	5.48%	No	Settlement through banks
Zuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Company in which a Director of the Company serves as a director	Leasing of assets as a lessor	Buildings	Determined by negotiation based on market price	222.63	19.23%	No	Settlement through banks
Zuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company serves as a director	Leasing of assets as a lessor	Buildings	Determined by negotiation based on market price	24.00	2.07%	No	Settlement through banks
Health Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	Buildings	Determined by negotiation based on market price	3.85	0.33%	No	Settlement through banks
Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	Buildings	Determined by negotiation based on market price	25.30	2.19%	No	Settlement through banks

SECTION VI. MAJOR EVENTS

XIII. SUBSTANTIAL RELATED TRANSACTIONS DISCLOSED PURSUANT TO THE SHENZHEN LISTING RULES *(continued)*

1. Related Transactions in the Ordinary Course of Business *(continued)*

Related transaction party	Related relationship	Type of related transaction	Details of related transaction	Pricing principle of related transaction	Amount of related transaction (RMB'000)	Percentage in the amount of similar transactions	Whether approved cap has been exceeded	Settlement method of related transaction
Topsino Industries Limited (天誠實業有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	Buildings	Determined by negotiation based on market price	2.55	0.22%	No	Settlement through banks
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Leasing of assets as a lessee	Buildings	Determined by negotiation based on market price	77.96	2.86%	No	Settlement through banks
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessee	Buildings, equipment	Determined by negotiation based on market price	261.92	9.60%	No	Settlement through banks
Total					34,323.00	-	-	
Details of return of sales in large amount	Not applicable							
Estimated total amount of related transactions in the ordinary course of business during the current period by type and actual performance during the Reporting Period (if any)	During the Year, the total amount of the related transactions actually conducted by the Group in the ordinary course of business was RMB343.2300 million. Among which, the related transactions actually conducted in the ordinary course of business with Joincare, the controlling Shareholder of the Company, and its subsidiaries amounted to approximately RMB291.4999 million, representing 46.77% of the estimated amount (RMB623.3000 million) approved by the general meeting of the Company, the Board and the operating management; the related transactions actually conducted in the ordinary course of business with Blue Treasure Pharma amounted to approximately RMB38.6219 million, representing 39.29% of the estimated amount (RMB98.3000 million) approved by the Board of the Company; the related transactions conducted in the ordinary course of business with Sanmed Biotech and Sanmed Gene, one of its subsidiaries, amounted to RMB4.6318 million, representing 99.18% of the estimated amount (RMB4.6700 million) approved by the Board of the Company; the related transactions conducted in the ordinary course of business with subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司) in aggregate amounted to RMB2.9818 million, representing 29.70% of the projected amount (RMB10.0400 million) approved by the Board of the Company; the related transactions conducted in the ordinary course of business with Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司) amounted to RMB2.0839 million, representing 94.72% of the projected amount (RMB2.2000 million) approved by the Board of the Company; the related transactions conducted in the ordinary course of business with Jiangsu Yiyongjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司) amounted to RMB3.1607 million, representing 79.02% of the projected amount (RMB4.0000 million) approved by the operating management of the Company; and the related transactions conducted in the ordinary course of business with Zhuhai Puxiaoying Enterprise Management Co., Ltd. (珠海市蒲小菜企業管理有限公司) amounted to RMB0.2500 million, representing 83.33% of the projected amount (RMB0.3000 million) approved by the operating management of the Company. The above related transactions have not exceeded the approved estimated amount.							
Reason for the significant difference between the transaction price and the reference market price (if applicable)	Not applicable							

Note:

- The amount of such connected transaction arose from return of goods;
- For details on the above transactions, please refer to the Announcement on Signing Framework Agreement on Continuing Related/ Connected Transactions for Three Years from 2020 to 2022 between Livzon Pharmaceutical Group Inc. and Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司) (Announcement No.: 2019-052), Announcement on Resolutions of 2019 Third Extraordinary General Meeting of Livzon Pharmaceutical Group Inc. (Announcement No.: 2019-073) and Announcement on Projected Daily Related Transactions for 2022 of Livzon Pharmaceutical Group Inc. (Announcement No.: 2021-104) issued by the Company on 17 August 2019, 16 October 2019 and 31 December 2021, respectively.

SECTION VI. MAJOR EVENTS

XIII. SUBSTANTIAL RELATED TRANSACTIONS DISCLOSED PURSUANT TO THE SHENZHEN LISTING RULES *(continued)*

2. Related Transactions relating to Acquisition and Disposal of Assets or Equity

✓ Applicable Not applicable

Related party	Related relationship	Type of related transaction	Details of related transaction	Pricing principle of related transaction	Carrying amount of transferred asset (RMB'000)	Assessed value of transferred asset (RMB'000)	Transfer price (RMB'000)	Settlement method of related transaction	Profit or loss of transaction (RMB'000)	Date of disclosure	Index of disclosure
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Purchase of intangible assets	Purchase of technology	Determined by negotiation based on market price	1,206.00	-	1,206.00	Settlement through banks	-	N/A	N/A
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the Controlling shareholder	Sale of fixed asset	Sale of equipment and plant	Determined by negotiation based on market price	529.12	-	682.97	Settlement through banks	153.85	N/A	N/A
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the Controlling shareholder	Sale of fixed asset	Sale of equipment	Determined by negotiation based on market price	44.89	-	47.93	Settlement through banks	3.05	N/A	N/A
Reason for significant difference between transfer price and carrying amount or assessed value (if any)					N/A						
Effect on the operating results and financial position of the Company					There was no material effect on the operating results and financial position of the Company						
If the relevant transaction involves committed performance results, the performance results achieved during the Reporting Period					N/A						

3. Related Transactions on Joint External Investment

✓ Applicable Not applicable

Co-investor	Related relationship	Name of the investee	Principal business of the investee	Registered capital of the investee (RMB'000)	Total assets of the investee (RMB'000)	Net assets of the investee (RMB'000)	Net profit of the investee (RMB'000)
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Wuhan Kangli Health Investment Management Co., Ltd. (武漢康麗健康投資管理有限公司)	Industrial investment, asset management, investment management, investment consulting, etc.	100,000.00	N/A	N/A	N/A
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Lijian (Guangdong) Animal Healthcare Co., Ltd. (麗健(廣東)動物保健有限公司)	Animal healthcare business	20,000.00	N/A	N/A	N/A
Progress of the material project under construction (if any) of the investee			N/A				

Note: Wuhan Kangli Health Investment Management Co., Ltd. (武漢康麗健康投資管理有限公司) was established on 8 February 2023 and Lijian (Guangdong) Animal Healthcare Co., Ltd. (麗健(廣東)動物保健有限公司) was established on 1 February 2023.

SECTION VI. MAJOR EVENTS

XIII. SUBSTANTIAL RELATED TRANSACTIONS DISCLOSED PURSUANT TO THE SHENZHEN LISTING RULES *(continued)*

4. Credits and Debts with Related Parties

Applicable Not applicable

Whether there is non-operating credits and debts with related parties

Yes No

Credits due from related parties

Related party	Related relationship	Reason for occurrence	Whether there is non-operating fund occupation	Balance at the Beginning of the Year (RMB'000)	Amount increased for the Year (RMB'000)	Amount recovered for the Year (RMB'000)	Interest rate	Interest for the Year (RMB'000)	Balance at the End of the Year (RMB'000)
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Company in which a Director of the Company serves as a director	Sale of finished goods, provision of services	No	2,565.40	4,034.06	5,671.17	-	-	928.28
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Subsidiary of the controlling shareholder	Sale of finished goods	No	73.50	71.73	145.23	-	-	-
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Company in which a Director of the Company serves as a director	Sale of finished goods, leasing of assets as a lessor	No	21.12	304.29	304.29	-	-	21.12
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Sale of finished goods, provision of services	No	145.61	572.66	657.99	-	-	60.28
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company serves as a director	Sale of finished goods, leasing of assets as a lessor	No	22.93	181.00	193.78	-	-	10.15
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Subsidiaries of a company in which a Director of the Company serves as a director	Sale of finished goods	No	33.74	311.07	295.03	-	-	49.78
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	Company controlled by a Director of the Company	Prepayment of services	No	15.45	211.25	207.89	-	-	18.81
Joicare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Subsidiary of the controlling shareholder	Provision of services, leasing of assets as a lessor	No	8.47	45.58	29.69	-	-	24.36
Joicare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Subsidiary of the controlling shareholder	Sale of finished goods	No	-	75.94	43.94	-	-	32.00
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Sale of finished goods, provision of services	No	-	1,270.53	1,258.43	-	-	12.09
Jiangsu Yiyingjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	Company controlled by a Director of the Company	Prepayment of services	No	-	311.37	311.37	-	-	-
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Sales of goods and equipment	No	-	767.75	46.90	-	-	720.84

SECTION VI. MAJOR EVENTS

XIII. SUBSTANTIAL RELATED TRANSACTIONS DISCLOSED PURSUANT TO THE SHENZHEN LISTING RULES *(continued)*

4. Credits and Debts with Related Parties *(continued)*

Credits due from related parties *(continued)*

Related party	Related relationship	Reason for occurrence	Whether there is non-operating fund occupation	Balance at the Beginning of the Year (RMB'000)	Amount increased for the Year (RMB'000)	Amount recovered for the Year (RMB'000)	Interest rate	Interest for the Year (RMB'000)	Balance at the End of the Year (RMB'000)
Guangzhou Joincare Respiratory Drugs Engineering Technology Co., Ltd. (廣州健康元呼吸藥物工程技術有限公司)	Subsidiary of the controlling shareholder	Sale of finished goods, prepayment of services	No	-	52.56	52.56	-	-	-
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Subsidiary of the controlling shareholder	Prepayment of services	No	-	57.85	57.85	-	-	-
Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Subsidiary of the controlling shareholder	Provision of services	No	-	85.61	85.61	-	-	-
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	Subsidiary of the controlling shareholder	Provision of services	No	-	12.73	12.73	-	-	-
Health Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	No	-	4.20	4.20	-	-	-
Topsino Industries Limited (天誠實業有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	No	-	2.55	2.55	-	-	-
Effect of credits due from related parties on the operating results and financial position	The above credits due from related parties mainly arose in the ordinary course of business of the Company, there is no material effect on the operating results and financial position of the Company.								

SECTION VI. MAJOR EVENTS

XIII. SUBSTANTIAL RELATED TRANSACTIONS DISCLOSED PURSUANT TO THE SHENZHEN LISTING RULES (continued)

4. Credits and Debts with Related Parties (continued)

Debts payable to related parties

Related party	Related relationship	Reason for occurrence	Balance at the Beginning of the Year (RMB0'000)	Amount increased for the Year (RMB0'000)	Amount repaid for the Year (RMB0'000)	Interest rate	Interest for the Year (RMB0'000)	Balance at the End of the Year (RMB0'000)
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Purchase of raw materials	2,465.48	3,903.55	4,171.37	-	-	2,197.66
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Purchase of raw materials	17,938.04	23,534.27	21,583.56	-	-	19,888.75
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Water, electricity and power	989.98	3,785.66	3,564.47	-	-	1,211.17
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	Subsidiary of the controlling shareholder	Purchase of raw materials	4.00	-	4.00	-	-	-
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Company in which a Director of the Company serves as a director	Purchase of raw materials	38.00	329.73	355.95	-	-	11.78
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Subsidiaries of a company in which a Director of the Company serves as a director	Receipt of services	0.89	1.20	-	-	-	2.09
Joicare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Subsidiary of the controlling shareholder	Receipt of services	-	405.19	-	-	-	405.19
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Subsidiary of the controlling shareholder	Sale of goods	-	168.18	168.00	-	-	0.18
Topsino Industries Limited (天誠實業有限公司)	Subsidiary of the controlling shareholder	Payment of dividends	-	21,070.98	21,070.98	-	-	-
Zuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company serves as a director	Receipt of services	-	14.56	14.56	-	-	-
Zuhai Puxiaoying Enterprise Management Co., Ltd. (珠海市蒲小英企業管理有限公司)	Company controlled by close family members of a Director of the Company	Receipt of services	-	25.00	25.00	-	-	-
Guangzhou Joicare Respiratory Drugs Engineering Technology Co., Ltd. (廣州健康元呼吸藥物工程技術有限公司)	Subsidiary of the controlling shareholder	Receipt of services	-	87.00	87.00	-	-	-
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Leasing of assets as a lessee	-	85.07	85.07	-	-	-
Jiangsu Yiyinjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	Company controlled by a Director of the Company	Receipt of services	-	5.00	5.00	-	-	-

SECTION VI. MAJOR EVENTS

XIII. SUBSTANTIAL RELATED TRANSACTIONS DISCLOSED PURSUANT TO THE SHENZHEN LISTING RULES *(continued)*

4. Credits and Debts with Related Parties *(continued)*

Debts payable to related parties *(continued)*

Related party	Related relationship	Reason for occurrence	Balance at the Beginning of the Year (RMB'000)	Amount increased for the Year (RMB'000)	Amount repaid for the Year (RMB'000)	Interest rate	Interest for the Year (RMB'000)	Balance at the End of the Year (RMB'000)
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	Company controlled by a Director of the Company	Receipt of services	-	0.50	0.50	-	-	-
Effect of debts payable to related parties on the operating results and financial position of the Company	The above debts payable to related parties mainly arose in the ordinary course of business of the Company, there is no material effect on the operating results and financial position of the Company.							

5. Dealings with Related Financial Companies

Applicable Not applicable

6. Dealings between Financial Companies Controlled by the Company and Related Parties

Applicable Not applicable

7. Other Major Related Transactions

Applicable Not applicable

For details of other major related transactions, please refer to "XIV. Connected Transactions Defined Pursuant to Hong Kong Listing Rules" in Section VI of the Report. Save for the above, the Group had no other major related transactions during the Year.

SECTION VI. MAJOR EVENTS

XIV. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES

1. One-off Connected Transactions

Connected transactions in relation to reorganization of shareholding structures of controlling subsidiaries

Reference is made to the announcements (the “Announcements”) dated 4 December 2020 and 5 December 2020 and the circular (the “Circular”) dated 16 December 2020 of the Company published on the Company’s website, HKEXnews and Cninfo.

On 4 December 2020, in order to optimize the shareholding structures of the controlling subsidiary of the Company, Livzon Cayman, and its subsidiaries and to facilitate onshore and offshore financing for these companies, after consideration and approval by the Board, the Company, Livzon International, Joicare, Joicare BVI, YF Pharmab Limited and Livzon Cayman, LivzonBio, Livzon HK, Livzon MAB, Zhuhai Kadi Medical Biotechnology Inc. (珠海市卡迪生物醫藥有限公司) (“Kadi”) have jointly entered into the reorganization framework agreement, pursuant to which, each party has conditionally agreed to enter into a series of transactions to streamline and optimize the capital and shareholding structure (the “Reorganization”) of the Reorganization Group. The Reorganization comprises a number of transactions and arrangements, please refer to the Announcements and the Circular for details.

As at the End of the Reporting Period, the equity transfer of Kadi under the Reorganization has not been completed. Please refer to the 2021 Annual Report of the Company for other related details.

The grant of share of subscription of the Second Phase Ownership Scheme to the Connected Holders

Please refer to the relevant contents of “XXII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME” in Section III of the Report for details of the grant of share of subscription of the Second Phase Ownership Scheme to the Connected Holders.

Establishment of the Joint Venture with Joicare

Reference is made to the announcements dated 12 December 2022 and 10 January 2023 and the circular dated 19 December 2022 of the Company published on the Company’s website and HKEXnews.

On 12 December 2022, the Company has, upon approval of the Board, entered into a joint venture framework agreement (the “Joint Venture Framework Agreement”) with Joicare, pursuant to which, the Company and Joicare have agreed to (i) terminate the Joint Investment Agreement (i.e. the framework agreement entered into between the Company and Joicare on 28 November 2022, please refer to the circulars of the Company dated 28 November 2022 and 2 December 2022 for details) and (ii) establish a joint venture (the “Joint Venture”) by way of investment in cash, of which the Company shall contribute RMB600 million and Joicare shall contribute RMB400 million. Accordingly, the Company and Joicare will directly be interested in 60% and 40% of the Joint Venture, respectively. The Joint Venture will become a subsidiary of the Company.

SECTION VI. MAJOR EVENTS

XIV. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES *(continued)*

1. One-off Connected Transactions *(continued)*

Establishment of the Joint Venture with Joicare *(continued)*

The establishment of the Joint Venture through joint investment by the Company and Joicare, and seeking strategic investment in the projects within the industry in which the Company operates with the Joint Venture as the main body, which is in line with the Company's long-term development strategy, are conducive to strengthening the Company's dominant position in the industry, expanding the layout of product pipelines, improving the comprehensive competitiveness.

As at 12 December 2022, Joicare, together with its associates (as defined in the Hong Kong Listing Rules), directly and indirectly held approximately 44.77% of the total issued shares of the Company. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, Joicare is a connected person of the Company. Hence, the establishment of the Joint Venture constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rule.

As one or more of the applicable percentage ratios (as defined in the Hong Kong Listing Rules) in respect of the establishment of the Joint Venture under the Joint Venture Framework Agreement exceeds 0.1% but less than 5% and the consideration for the establishment of the Joint Venture exceeds HK\$3,000,000, hence the establishment of the Joint Venture under the Joint Venture Framework Agreement is subject to compliance with the reporting and announcement requirements, but is exempt from compliance with the requirement of approval by Independent Shareholders under Chapter 14A of the Hong Kong Listing Rules.

According to Article 6.3.7 and Article 6.3.20 of the Shenzhen Listing Rules, the Joint Venture Framework Agreement and the transaction contemplated thereunder are subject to the approval from the Shareholders by way of an ordinary resolution at the general meeting. On 10 January 2023, the resolution was considered and approved at the 2023 first extraordinary general meeting of the Company.

2. Continuing Connected Transaction

Entering into the 2022 Water Electricity Framework Agreement with Joicare

Reference is made to the announcement dated 30 December 2021 of the Company published on the Company's website and HKEXnews. On 30 December 2021, the Company and Joicare entered into the 2022 Water Electricity Framework Agreement in relation to the continuing connected transactions for receipt of water, electricity, steam, natural gas and sewage treatment from the Joicare Group by the Group for the period from 1 January 2022 to 31 December 2022 with a cap of RMB37.35 million (the "2022 Water Electricity Cap").

Jiaozuo Hecheng and Shanghai Livzon Biotechnology Co., Ltd., Jiaozuo Branch (上海麗珠生物科技有限公司焦作分公司), both subsidiaries of the Company, were located inside the production site of Jiaozuo Joicare, a subsidiary of Joicare, and required Jiaozuo Joicare to provide water, electricity, steam, natural gas and sewage treatment for production and operation purposes.

As at 30 December 2021, Joicare directly and indirectly owned approximately 44.66% equity interest in the Company, and therefore was the controlling Shareholder of the Company. Therefore, Joicare and its associates were connected persons of the Company and the transactions contemplated under the 2022 Water Electricity Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios of the 2022 Water Electricity Cap were higher than 0.1% but lower than 5%, the transactions contemplated under the 2022 Water Electricity Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

SECTION VI. MAJOR EVENTS

XIV. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES *(continued)*

2. Continuing Connected Transaction *(continued)*

Entering into the 2022 Labour Services Framework Agreement with Joincare

Reference is made to the announcement dated 30 December 2021 of the Company published on the Company's website and HKEXnews. On 30 December 2021, the Company and Joincare entered into the 2022 Labour Services Framework Agreement in relation to the continuing connected transactions for receipt of labour services from the Joincare Group by the Group for the period from 1 January 2022 to 31 December 2022 with a cap of RMB16.33 million (the "2022 Labour Services Cap").

Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司) ("Shanghai Fangyu") and Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司) ("Henan Institute"), both subsidiaries of Joincare, provided R&D services in drugs to the Group by leveraging upon the extensive experience of Shanghai Fangyu in R&D of drugs, whereas Henan Institute was a core R&D institution focusing on biopharmaceutical intermediates and active pharmaceutical ingredients, which would help advance the Group's R&D progress of drugs.

As at 30 December 2021, Joincare directly and indirectly owned approximately 44.66% equity interest in the Company, and therefore was the controlling Shareholder of the Company. Therefore, Joincare and its associates were connected persons of the Company and the transactions contemplated under the 2022 Labour Services Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios of the 2022 Labour Services Cap were higher than 0.1% but lower than 5%, the transactions contemplated under the 2022 Labour Services Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Entering into the 2022 Water Electricity Framework Agreement with Livzon MAB

Reference is made to the announcement dated 30 December 2021 of the Company published on the Company's website and HKEXnews. On 30 December 2021, in order to meet the business development needs of Livzon MAB, the Company convened a Board meeting to consider and approve the continuing connected transactions in relation to provision of water, electricity, steam and sewage treatment by the Group to Livzon MAB for the period from 1 January 2022 to 31 December 2022, with a cap of RMB34.30 million (the "2022 Water Electricity Cap"). On the same date, the Company and Livzon MAB entered into the 2022 Water Electricity Framework Agreement in relation to the above-mentioned continuing connected transactions.

The provision of water, electricity, steam and sewage treatment by the Group to Livzon MAB can reduce the potential impact on the production and operation of Livzon MAB and save costs, thereby improving the overall operation performance of the Group as Livzon MAB was a controlling subsidiary of the Company.

As at 30 December 2021, Joincare directly and indirectly owned approximately 44.66% equity interest in the Company, and therefore was the controlling Shareholder of the Company. Joincare indirectly owned 33.07% equity interest in Livzon MAB, and therefore Livzon MAB was an associate of Joincare. Therefore, Joincare and its associates and Livzon MAB were connected persons of the Company, and the transactions contemplated under the 2022 Water Electricity Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios of the 2022 Water Electricity Cap were higher than 0.1% but lower than 5%, the transactions contemplated under the 2022 Water Electricity Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

SECTION VI. MAJOR EVENTS

XIV. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES *(continued)*

2. Continuing Connected Transaction *(continued)*

Entering into the 2022 Labour Services Framework Agreement with Livzon MAB

Reference is made to the announcement dated 30 December 2021 of the Company published on the Company's website and HKEXnews. On 30 December 2021, in order to meet the business development needs of Livzon MAB, the Company convened a Board meeting to consider and approve the continuing connected transactions in relation to provision of labour services by the Group to Livzon MAB for the period from 1 January 2022 to 31 December 2022, with a cap of RMB27.00 million (the "2022 Labour Services Cap"). On the same date, the Company and Livzon MAB entered into the 2022 Labour Services Framework Agreement in relation to the above-mentioned continuing connected transactions.

In regard to management services in clinical R&D and clinical trial, Livzon MAB could leverage the long experience and resources of the Group in terms of management of drug R&D, so as to enhance its quality of management of clinical trial and accelerate the relevant progress; in regard to commissioned production of drugs, Livzon MAB could leverage the Group's sound production experience and a long history of excellence in the production of hormone drugs, fully utilize the Group's production workshops that met the requirements for rHCG technique and preparation, and utilize the Group's part of surplus production capacity to optimize the capacity utilization of the production workshops of the Group. Meanwhile, Livzon MAB could focus its resources on R&D by avoiding the repeated construction of its production facilities. Therefore, the overall operation performance of the Group could be improved, as Livzon MAB was a controlling subsidiary of the Company.

As at 30 December 2021, Joicare directly and indirectly owned approximately 44.66% equity interest in the Company, and therefore was the controlling Shareholder of the Company. Joicare indirectly owned 33.07% equity interest in Livzon MAB, and therefore Livzon MAB was an associate of Joicare. Therefore, Joicare and its associates and Livzon MAB were connected persons of the Company, and the transactions contemplated under the 2022 Labour Services Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios of the 2022 Labour Services Cap were higher than 0.1% but lower than 5%, the transactions contemplated under the 2022 Labour Services Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Entering into the 2022 Leasing Assets Framework Agreement with Livzon MAB

Reference is made to the announcement dated 30 December 2021 of the Company published on the Company's website and HKEXnews. On 30 December 2021, in order to meet the business development needs of Livzon MAB, the Company convened a Board meeting to consider and approve the continuing connected transactions in relation to leasing assets by the Group to Livzon MAB for the period from 1 January 2022 to 31 December 2022, with a cap of RMB36.32 million (the "2022 Lease Cap"). On the same date, the Company and Livzon MAB entered into the 2022 Leasing Assets Framework Agreement in relation to the above-mentioned continuing connected transactions.

Leasing factories and equipment by Livzon MAB from Pharmaceutical Factory, a subsidiary of the Company, could reduce the potential impact on the production and operation of Livzon MAB and save costs, thereby improving the overall operation performance of the Group as Livzon MAB was a controlling subsidiary of the Company.

SECTION VI. MAJOR EVENTS

XIV. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES *(continued)*

2. Continuing Connected Transaction *(continued)*

Entering into the 2022 Leasing Assets Framework Agreement with Livzon MAB *(continued)*

As at 30 December 2021, Joicare directly and indirectly owned approximately 44.66% equity interest in the Company, and therefore was the controlling Shareholder of the Company. Joicare indirectly owned 33.07% equity interest in Livzon MAB, and therefore Livzon MAB was an associate of Joicare. Therefore, Joicare and its associates and Livzon MAB were the connected persons of the Company, and the transactions contemplated under the 2022 Leasing Assets Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios of the 2022 Lease Cap were higher than 0.1% but lower than 5%, the transactions contemplated under the 2022 Leasing Assets Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Provision of continuing guarantees for Livzon MAB

References are made to the announcement of the Company dated 25 October 2021 and the circular of the Company dated 18 November 2021 published on the Company's website and HKEXnews.

On 25 October 2021, the Company convened a Board meeting to consider and approve that the Company and Livzon MAB entered into the 2022 Continuing Guarantee Support Framework Agreement (the "Framework Agreement"), pursuant to which during the three-year period from 1 January 2022 to 31 December 2024, both dates inclusive, the maximum amount (i.e. the maximum daily guarantee balance) for the guarantees to be provided by the Company upon request from Livzon MAB was RMB2.35 billion (or its equivalent in foreign currencies) (the "Guarantees").

On 25 October 2021, Joicare directly and indirectly held approximately 44.68% equity interest in the total issued share capital of the Company, and Livzon MAB was indirectly held as to 33.07% by Joicare. Therefore, Livzon MAB, an associate of Joicare, was a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. As such, the Guarantees constituted discloseable and continuing connected transactions of the Company under the Hong Kong Listing Rules. As the highest applicable percentage ratios (other than the profit ratio) (as defined under the Hong Kong Listing Rules) in respect of the annual caps of the Guarantees exceeds 5% but less than 25%, therefore the Guarantees contemplated under the Framework Agreement were subject to the requirements of reporting, announcement, annual review and approval of the independent Shareholders under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules. According to the Shenzhen Listing Rules and the Articles of Association, the Guarantees were also subject to approval from the Shareholders by way of special resolution at the extraordinary general meeting.

In order to ensure the fairness and equivalence of the Livzon MAB Guarantees, Joicare, which indirectly held 33.07% equity interest in Livzon MAB, upon approval by its shareholders, had issued the Company a "Letter of Undertaking for Counter Guarantees", pursuant to which Joicare undertook to provide counter guarantees in favor of the Company for any amount payable by the Company in connection with the Guarantees in proportion to its shareholdings in Livzon MAB. The term of the counter guarantees would expire on the same expiry date of the Company's obligation under the Guarantees.

The Guarantees were considered and approved at the 2021 fourth extraordinary general meeting of the Company on 10 December 2021. The Guarantees had become effective from 1 January 2021, and the New Livzon MAB Guarantees as considered and approved at the 2021 third extraordinary general meeting of the Company had lapsed on 31 December 2021.

SECTION VI. MAJOR EVENTS

XIV. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES *(continued)*

2. Continuing Connected Transaction *(continued)*

Provision of continuing guarantees for Livzon MAB *(continued)*

The Framework Agreement could optimize the loan structure of Livzon MAB by allowing it to obtain long-term credit facilities rather than only short-term credit facilities, which could better adapt to its business cycle to support the financing needs of Livzon MAB throughout different stages of its business cycle from R&D stage to launch of products until sufficient revenue can be generated to repay relevant loans.

During the period from 1 January 2022 to the disclosure date of this report, the daily balance of credit facilities for Livzon MAB guaranteed by the Company did not exceed RMB1,047.01 million.

Entering into the 2023 Water Electricity Framework Agreement with Joicare

Reference is made to the announcement dated 11 January 2023 of the Company published on the Company's website and HKEXnews. On 11 January 2023, the Company and Joicare entered into the 2023 Water Electricity Framework Agreement in relation to the continuing connected transactions for receipt of water, electricity, steam, natural gas and sewage treatment from the Joicare Group by the Group for the period from 1 January 2023 to 31 December 2023 with a cap of RMB42.20 million (the "2023 Water Electricity Cap").

Jiaozuo Hecheng and Shanghai Livzon Biotechnology Co., Ltd., Jiaozuo Branch (上海麗珠生物科技有限公司焦作分公司), both subsidiaries of the Company, were located inside the production site of Jiaozuo Joicare, a subsidiary of Joicare, and required Jiaozuo Joicare to provide water, electricity, steam, natural gas and sewage treatment for production and operation purposes.

As at 11 January 2023, Joicare directly and indirectly owned approximately 44.77% equity interest in the Company, and therefore was the controlling Shareholder of the Company. Therefore, Joicare and its associates were connected persons of the Company and the transactions contemplated under the 2023 Water Electricity Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios of the 2023 Water Electricity Cap were higher than 0.1% but lower than 5%, the transactions contemplated under the 2023 Water Electricity Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Entering into the 2023 Receipt of Labour Services Framework Agreement with Joicare

Reference is made to the announcement dated 11 January 2023 of the Company published on the Company's website and HKEXnews. On 11 January 2023, the Company and Joicare entered into the 2023 Receipt of Labour Services Framework Agreement in relation to the continuing connected transactions for receipt of labour services from the Joicare Group by the Group for the period from 12 January 2023 to 31 December 2023 with a cap of RMB44.80 million (the "2023 Receipt of Labour Services Cap").

Joicare Group has extensive experience in R&D of drugs. There were many successful cases of R&D of drugs which were more difficult than this cooperative R&D of drugs, and it also has experience in the development of similar new products, which can make full use of the R&D resources and experience of Joicare Group and will help advance the R&D progress of the Group's drugs. The continuation of cooperation with Joicare Group will ensure the progress of current R&D work will not be interrupted.

SECTION VI. MAJOR EVENTS

XIV. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES *(continued)*

2. Continuing Connected Transaction *(continued)*

Entering into the 2023 Receipt of Labour Services Framework Agreement with Joicare *(continued)*

As at 11 January 2023, Joicare directly and indirectly owned approximately 44.77% equity interest in the Company, and therefore was the controlling Shareholder of the Company. Therefore, Joicare and its associates were connected persons of the Company and the transactions contemplated under the 2023 Receipt of Labour Services Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios of the 2023 Receipt of Labour Services Cap were higher than 0.1% but lower than 5%, the transactions contemplated under the 2023 Receipt of Labour Services Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Entering into the 2023 Provision of Labour Services Framework Agreement with Joicare

Reference is made to the announcement dated 11 January 2023 of the Company published on the Company's website and HKEXnews. On 11 January 2023, the Company and Joicare entered into the 2023 Provision of Labour Services Framework Agreement in relation to the continuing connected transactions for provision of labour services by the Group to the Joicare Group for the period from 12 January 2023 to 31 December 2023 with a cap of RMB30.00 million (the "2023 Provision of Labour Services Cap").

The Joicare Group can take advantage of the Group's rich production experience and excellent production track record in the field of small volume liquid preparations, make full use of the Group's existing workshops that meet the requirements of small volume liquid preparation process and dosage form, mobilize part of the Group's excessive capacity and optimize the capacity utilization rate of the Group's workshops.

As at 11 January 2023, Joicare directly and indirectly owned approximately 44.77% equity interest in the Company, and therefore was the controlling Shareholder of the Company. Therefore, Joicare and its associates were connected persons of the Company and the transactions contemplated under the 2023 Provision of Labour Services Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios of the 2023 Provision of Labour Services Cap were higher than 0.1% but lower than 5%, the transactions contemplated under the 2023 Provision of Labour Services Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Entering into the 2023 Water Electricity Framework Agreement with Livzon MAB

Reference is made to the announcement dated 11 January 2023 of the Company published on the Company's website and HKEXnews. On 11 January 2023, in order to meet the business development needs of Livzon MAB, the Company convened a Board meeting to consider and approve the continuing connected transactions in relation to provision of water, electricity, steam and sewage treatment by the Group to Livzon MAB for the period from 1 January 2023 to 31 December 2023, with a cap of RMB33.00 million (the "2023 Water Electricity Cap"). On the same date, the Company and Livzon MAB entered into the 2023 Water Electricity Framework Agreement in relation to the above-mentioned continuing connected transactions.

The provision of water, electricity, steam and sewage treatment by the Group to Livzon MAB could reduce the potential impact on the production and operation of Livzon MAB and save costs, thereby improving the overall operation performance of the Group as Livzon MAB was a controlling subsidiary of the Company.

SECTION VI. MAJOR EVENTS

XIV. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES *(continued)*

2. Continuing Connected Transaction *(continued)*

Entering into the 2023 Water Electricity Framework Agreement with Livzon MAB *(continued)*

As at 11 January 2023, Joicare directly and indirectly owned approximately 44.77% equity interest in the Company, and therefore was the controlling Shareholder of the Company. Joicare indirectly owned 33.07% equity interest in Livzon MAB, so Livzon MAB was an associate of Joicare. Therefore, Joicare and its associates and Livzon MAB were connected persons of the Company and the transactions contemplated under the 2023 Water Electricity Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio of the 2023 Water Electricity Cap was higher than 0.1% but lower than 5%, the transactions contemplated under the 2023 Water Electricity Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Entering into the 2023 Labour Services Framework Agreement with Livzon MAB

Reference is made to the announcement dated 11 January 2023 of the Company published on the Company's website and HKEXnews. On 11 January 2023, in order to meet the business development needs of Livzon MAB, the Company convened a Board meeting to consider and approve the continuing connected transactions in relation to provision of labour services by the Group to Livzon MAB for the period from 12 January 2023 to 31 December 2023, with a cap of RMB19.00 million (the "2023 Labour Services Cap"). On the same date, the Company and Livzon MAB entered into the 2023 Labour Services Framework Agreement in relation to the above-mentioned continuing connected transactions.

Livzon MAB could leverage the Group's sound production experience and a long history of excellence in the production of hormone drugs, fully utilize the Group's existing production workshops that met the requirements for rHCG and rFSH technique and preparation, and utilize the Group's part of surplus production capacity to optimize the capacity utilization of the production workshops of the Group. Meanwhile, Livzon MAB could focus its resources on R&D so as to avoid the repeated construction of its production facilities. Therefore, the overall operation performance of the Group could be improved, as Livzon MAB was a controlling subsidiary of the Company.

As at 11 January 2023, Joicare directly and indirectly owned approximately 44.77% equity interest in the Company, and therefore was the controlling Shareholder of the Company. Joicare indirectly owned 33.07% equity interest in Livzon MAB, so Livzon MAB was an associate of Joicare. Therefore, Joicare and its associates and Livzon MAB were connected persons of the Company and the transactions contemplated under the 2023 Labour Services Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio of the 2023 Labour Services Cap was higher than 0.1% but lower than 5%, the transactions contemplated under the 2023 Labour Services Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

SECTION VI. MAJOR EVENTS

XIV. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES *(continued)*

2. Continuing Connected Transaction *(continued)*

Entering into the 2023 Leasing Assets Framework Agreement with Livzon MAB

Reference is made to the announcement dated 11 January 2023 of the Company published on the Company's website and HKEXnews. On 11 January 2023, in order to meet the business development needs of Livzon MAB, the Company convened a Board meeting to consider and approve the continuing connected transactions in relation to leasing assets by the Group to Livzon MAB for the period from 1 January 2023 to 31 December 2023, with a cap of RMB39.99 million (the "2023 Lease Cap"). On the same date, the Company and Livzon MAB entered into the 2023 Leasing Assets Framework Agreement in relation to the above-mentioned continuing connected transactions.

Leasing factories and equipment by Livzon MAB from Pharmaceutical Factory, a subsidiary of the Company, could reduce the potential impact on the production and operation of Livzon MAB and save costs, thereby improving the overall operation performance of the Group as Livzon MAB was a controlling subsidiary of the Company.

As at 11 January 2023, Joicare directly and indirectly owned approximately 44.77% equity interest in the Company, and therefore was the controlling Shareholder of the Company. Joicare indirectly owned 33.07% equity interest in Livzon MAB, so Livzon MAB was an associate of Joicare. Therefore, Joicare and its associates and Livzon MAB were the connected persons of the Company and the transactions contemplated under the 2023 Leasing Assets Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio of the 2023 Lease Cap was higher than 0.1% but lower than 5%, the transactions contemplated under the 2023 Leasing Assets Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Continuing connected transactions for 2020 to 2022

As the Group continues to expand its business, it was expected that more raw materials were required for manufacturing the Group's products in order to cope with its future business growth. Therefore, on 5 September 2014, 24 September 2015, 25 October 2016 and 16 August 2019, the Company and Joicare entered into the 2014 Joicare Purchases Framework Agreement, Supplementary Agreement, 2017 Joicare Purchases Framework Agreement and 2020 Joicare Purchases Framework Agreement respectively, pursuant to which, the Company obtained the annual caps of the continuing connected transactions with Joicare Group for the three years ended 31 December 2020, 2021 and 2022. As Joicare is the controlling Shareholder of the Company, Joicare is a connected person of the Company under the Hong Kong Listing Rules. Companies in which Joicare held, directly or indirectly, 30% shareholdings or above are associates of Joicare and therefore are connected persons of the Company under the Hong Kong Listing Rules.

The annual cap of products to be procured from Joicare Group by the Group for the year ended 31 December 2022 is RMB467.00 million, while the aggregate amount of actual purchase for the Year arising from the transactions between the Group and Joicare (the controlling Shareholder of the Company) together with Joicare's subsidiaries pursuant to the 2020 Joicare Purchases Framework Agreement constituting "continuing connected transactions" under Chapter 14A of the Hong Kong Listing Rules was RMB243.14 million. During the Year, both parties complied with the pricing principles and transaction terms as set out in 2014 Joicare Purchases Framework Agreement, Supplementary Agreement, 2017 Joicare Purchases Framework Agreement and 2020 Joicare Purchases Framework Agreement when undergoing the above continuing connected transactions.

SECTION VI. MAJOR EVENTS

XIV. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES *(continued)*

2. Continuing Connected Transaction *(continued)*

Table of continuing connected transactions for the year 2022

The following table sets forth the continuing connected transactions under the 2022 Water Electricity Framework Agreement and the 2022 Labour Services Framework Agreement entered into with Joicare, the 2022 Water Electricity Framework Agreement, the 2022 Labour Services Framework Agreement and the 2022 Leasing Assets Framework Agreement entered into with Livzon MAB and the 2020 Joicare Purchases Framework Agreement entered into with Joicare for the period from 1 January 2022 to 31 December 2022.

Connected Parties	Relationships	Type of connected transactions	Pricing principle of connected transactions	Amounts of connected transactions in 2022 (RMB'000)
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Determined by negotiation based on market price	3,452.55
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Determined by negotiation based on market price	20,826.89
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Purchase of goods	Determined by negotiation based on market price	34.35
Jiangsu Yiyinjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	Company controlled by a Director of the Company	Purchase of goods	Determined by negotiation based on market price	268.71
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Determined by negotiation based on market price	3,090.53
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Determined by negotiation based on market price	224.92
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Determined by negotiation based on market price	1.65
Joicare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Determined by negotiation based on market price	382.26
Guangzhou Joicare Respiratory Drugs Engineering Technology Co., Ltd. (廣州健康元呼吸藥物工程技術有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Determined by negotiation based on market price	135.11
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	Company controlled by a Director of the Company	Receipt of services	Determined by negotiation based on market price	208.39
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company serves as a director	Receipt of services	Determined by negotiation based on market price	13.74
Jiangsu Yiyinjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	Company controlled by a Director of the Company	Receipt of services	Determined by negotiation based on market price	47.36
Zhuhai Puxiaoying Enterprise Management Co., Ltd. (珠海市蒲小英企業管理有限公司)	Company controlled by close family members of a Director of the Company	Receipt of services	Determined by negotiation based on market price	25.00
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Determined by negotiation based on market price	42.78
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Determined by negotiation based on market price	20.63

SECTION VI. MAJOR EVENTS

XIV. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES *(continued)*

2. Continuing Connected Transaction *(continued)*

Table of continuing connected transactions for the year 2022 *(continued)*

Connected Parties	Relationships	Type of connected transactions	Pricing principle of connected transactions	Amounts of connected transactions in 2022 <i>(RMB'000)</i>
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Determined by negotiation based on market price	- 62.07 ^{Note}
Guangzhou Joicare Respiratory Drugs Engineering Technology Co., Ltd. (廣州健康元呼吸藥物工程技術有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Determined by negotiation based on market price	1.43
Joicare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Determined by negotiation based on market price	67.25
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Sale of goods	Determined by negotiation based on market price	14.34
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Company in which a Director of the Company serves as a director	Sale of goods	Determined by negotiation based on market price	0.96
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company serves as a director	Sale of goods	Determined by negotiation based on market price	70.11
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Determined by negotiation based on market price	0.72
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Provision of services	Determined by negotiation based on market price	12.91
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Provision of services	Determined by negotiation based on market price	460.36
Joicare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Subsidiary of the controlling shareholder	Provision of services	Determined by negotiation based on market price	17.21
Henan Province Joicare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Subsidiary of the controlling shareholder	Provision of services	Determined by negotiation based on market price	54.59
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Company in which a Director of the Company serves as a director	Provision of services	Determined by negotiation based on market price	58.28
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company serves as a director	Provision of services	Determined by negotiation based on market price	73.46
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Company in which a Director of the Company serves as a director	Leasing of assets as a lessor	Determined by negotiation based on market price	222.63
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company serves as a director	Leasing of assets as a lessor	Determined by negotiation based on market price	24.00
Health Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	Determined by negotiation based on market price	3.85
Joicare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	Determined by negotiation based on market price	25.30
Topsino Industries Limited (天誠實業有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	Determined by negotiation based on market price	2.55

SECTION VI. MAJOR EVENTS

XIV. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES *(continued)*

2. Continuing Connected Transaction *(continued)*

Table of continuing connected transactions for the year 2022 *(continued)*

Connected Parties	Relationships	Type of connected transactions	Pricing principle of connected transactions	Amounts of connected transactions in 2022 <i>(RMB'000)</i>
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Leasing of assets as a lessee	Determined by negotiation based on market price	77.96
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessee	Determined by negotiation based on market price	261.92
Shanghai Liyu Biopharmaceutical Technology Co., Ltd. (上海麗予生物醫藥技術有限公司)	Subsidiary	Receipt of services	Determined by negotiation based on market price	640.00
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Receipt of services	Determined by negotiation based on market price	23.00
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Purchase of goods	Determined by negotiation based on market price	713.82
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Sale of goods	Determined by negotiation based on market price	499.32
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Provision of services	Determined by negotiation based on market price	3,379.79
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Leasing of assets as a lessor	Determined by negotiation based on market price	3,628.33
Total				39,046.89

Note: The amount incurred from such connected transaction is the amount of returned goods.

Confirmation from independent non-executive Directors in respect of 2022 continuing connected transactions

In respect of 2022 continuing connected transactions, the independent non-executive Directors of the Company have reviewed and confirmed under Rule 14A.55 of the Hong Kong Listing Rules that:

- such transactions were entered into in the Group's ordinary and usual course of business;
- such transactions were conducted on normal commercial terms or better terms;
- such transactions were conducted in accordance with the agreements governing such transactions, and the terms of such transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- the Group has adopted appropriate internal control procedures in the ordinary course of business which have been implemented properly and effective.

SECTION VI. MAJOR EVENTS

XIV. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES *(continued)*

2. Continuing Connected Transaction *(continued)*

Confirmation from the auditor in respect of 2022 connected transactions

The auditor of the Company has examined 2022 continuing connected transactions, and provided a letter to the Board under Rule 14A.56 of the Hong Kong Listing Rules stating that:

- Nothing has come to the auditor's attention that causes them to believe that such transactions had not been approved by the Board of the Company;
- In respect of transactions for provision of goods or services by the Group, nothing has come to the auditor's attention that causes them to believe that such transactions had not been conducted in accordance with the pricing policies of the Group;
- Nothing has come to the auditor's attention that causes them to believe that such transactions had not been conducted in accordance with the relevant agreements governing such transactions; and
- Nothing has come to the auditor's attention that causes them to believe that the amounts of such transactions had exceeded the Group's annual cap amounts of transactions for the year ended 31 December 2022.

Internal control procedures for the abovementioned connected transactions

The Company has adopted the internal control procedures as appropriate in its daily operation to monitor the abovementioned continuing connected transactions:

- We have mechanisms for identifying connected persons, review and update the list of connected persons regularly and conduct background investigation before making transactions;
- We have formulated and followed our internal management system to ensure individual continuing connected transactions were conducted according to the pricing policies or mechanisms under the framework agreements;
- We monitor amounts of the transactions regularly to ensure that they will not exceed the annual caps;
- We review our internal pricing policy or mechanism regularly; and
- We meet with the management, the Audit Committee and internal auditors regularly to review related transactions and relevant internal control measures.

3. Connected Transactions and Related Party Transactions

Details of the connected transactions and related party transactions of the Group during the Year are set out in "Note X 5. Related Transactions" of the financial statements of the Report prepared in accordance with the China Accounting Standards for Business Enterprises. Save the one-off connected transactions and continuous connected transactions as disclosed in this chapter, none of other related party transactions are required to be included under the definition of "Connected Transactions" or "Continuing Connected Transactions" pursuant to Chapter 14A of the Hong Kong Listing Rules for disclosure according to its requirements. The Company confirmed that these connected transactions or continuous connected transactions have complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

SECTION VI. MAJOR EVENTS

XV. MATERIAL CONTRACTS AND THEIR ENFORCEMENT

1. Custody, Hiring and Leasing

Custody

Applicable Not applicable

During the Year, the Company had no custody items generating gain or loss amounting to 10% or above of total profit of the Company for the Reporting Period.

Hiring

Applicable Not applicable

During the Year, the Company had no hiring items generating gain or loss amounting to 10% or above of total profit of the Company for the Reporting Period.

Leasing

Applicable Not applicable

During the Year, the Company had no leasing items generating gain or loss amounting to 10% or above of total profit of the Company for the Reporting Period.

2. Major Guarantees

Applicable Not applicable

SECTION VI. MAJOR EVENTS

XV. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(continued)*

2. Major Guarantees *(continued)*

(1) Guarantees

Credit Facilities Guarantees

Unit: RMB'000

External guarantees of the Company and its subsidiaries (excluding guarantees to its subsidiaries)

Name of guaranteed party	Disclosure date of the announcements relating to guaranteed amount	Guaranteed amount	Actual date of event (signing date of the agreement)	Actual guarantee amount	Type of guarantee	Security (if any)	Counter guarantee	Period of guarantee	Whether it has been performed	Whether it is related
										party guarantee
-	-	-	-	-	-	-	-	-	-	-
Total of external guaranteed amount approved during the Reporting Period (A1)				-	Total of actual external guaranteed amount occurred during the Reporting Period (A2)				-	-
Total of external guaranteed amount approved at the End of the Reporting Period (A3)				-	Total of actual external guaranteed balance occurred at the End of the Reporting Period (A4)				-	-

Guarantees between the Company and its subsidiaries

Name of guaranteed party	Disclosure date of the announcements relating to guaranteed amount	Guaranteed amount	Actual date of event (signing date of the agreement)	Actual guarantee amount	Type of guarantee	Security (if any)	Counter guarantee	Period of guarantee	Whether it has been completed	Whether it is related
										party guarantee
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2021.10.26	235,000.00	2021.9.30	167,172.07	Joint liability guarantee	Nil	Other shareholders of the guaranteed party have provided counter guarantee	2021.9.30-2025.9.21	No	No
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2022.3.29	30,000.00	2021.8.4	189.48	Joint liability guarantee	Nil	Nil	2021.8.4-2024.3.22	No	No
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2022.3.29	15,000.00	2022.8.5	2,414.51	Joint liability guarantee	Nil	Nil	2017.8.22-2025.6.1	No	No
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2022.3.29	20,000.00	2020.3.30	7,436.78	Joint liability guarantee	Nil	Nil	2020.3.30-2023.2.21	No	No
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2022.3.29	20,000.00	2022.8.5	5,644.10	Joint liability guarantee	Nil	Nil	2017.8.22-2025.6.1	No	No
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2022.3.29	10,000.00	2022.6.1	7,708.94	Joint liability guarantee	Nil	Nil	2022.6.1-2024.12.31	No	No
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2022.3.29	6,500.00	2022.8.5	1,772.67	Joint liability guarantee	Nil	Other shareholders of the guaranteed party have provided counter guarantee	2017.8.22-2025.6.1	No	No

SECTION VI. MAJOR EVENTS

XV. MATERIAL CONTRACTS AND THEIR ENFORCEMENT (continued)

2. Major Guarantees (continued)

(1) Guarantees (continued)

Credit Facilities Guarantees (continued)

Unit: RMB0'000

Guarantees between the Company and its subsidiaries

Name of guaranteed party	Disclosure date of the announcements relating to guaranteed amount	Guaranteed amount	Actual date of event (signing date of the agreement)	Actual guarantee amount	Type of guarantee	Security (if any)	Counter guarantee	Period of guarantee	Whether it has been completed	Whether it is related party guarantee	
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2022.3.29	10,000.00	2022.1.1	437.00	Joint liability guarantee	Nil	Other shareholders of the guaranteed party have provided counter guarantee	2022.1.1-2023.12.31	No	No	
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2022.3.29	15,000.00	2020.6.30	140.00	Joint liability guarantee	Nil	Other shareholders of the guaranteed party have provided counter guarantee	2020.6.30-2023.2.28	No	No	
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2022.3.29	20,000.00	2022.8.5	13,409.67	Joint liability guarantee	Nil	Other shareholders of the guaranteed party have provided counter guarantee	2017.8.22-2025.6.1	No	No	
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2022.3.29	5,000.00	2022.8.5	2,531.42	Joint liability guarantee	Nil	Nil	2017.8.22-2025.6.1	No	No	
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2022.3.29	10,000.00	2022.11.25	738.37	Joint liability guarantee	Nil	Nil	2022.11.25-2023.2.21	No	No	
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	2022.3.29	10,000.00	2022.8.5	6,762.33	Joint liability guarantee	Nil	Other shareholders of the guaranteed party have provided counter guarantee	2017.8.22-2025.6.1	No	No	
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2022.3.29	15,000.00	2022.8.5	13,613.97	Joint liability guarantee	Nil	Nil	2017.8.22-2025.6.1	No	No	
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	2022.3.29	5,000.00	2022.8.5	278.12	Joint liability guarantee	Nil	Other shareholders of the guaranteed party have provided counter guarantee	2017.8.22-2025.6.1	No	No	
Total of guaranteed amount to its subsidiaries approved during the Reporting Period (B1)				1,520,000.00	Total of actual guaranteed amount to its subsidiaries occurred during the Reporting Period (B2)				325,853.39		
Total of guaranteed amount to its subsidiaries approved at the End of the Reporting Period (B3)				1,520,000.00	Total of actual guaranteed balance to its subsidiaries occurred at the End of the Reporting Period (B4)				230,249.43		

SECTION VI. MAJOR EVENTS

XV. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(continued)*

2. Major Guarantees *(continued)*

(1) Guarantees *(continued)*

Credit Facilities Guarantees *(continued)*

Unit: RMB0'000

Subsidiaries' guarantees to subsidiaries										
Name of guaranteed party	Disclosure date of the announcements relating to guaranteed amount	Guaranteed amount	Actual date of event (signing date of the agreement)	Actual guarantee amount	Type of guarantee	Security (if any)	Counter guarantee	Period of guarantee	Whether it has been completed	Whether it is related
										party guarantee
-	-	-	-	-	-	-	-	-	-	-
Total of guaranteed amount to the subsidiaries approved during the Reporting Period (C1)				-	Total of actual guaranteed amount to the subsidiaries occurred during the Reporting Period (C2)				-	
Total of guaranteed amount to the subsidiaries approved at the End of the Reporting Period (C3)				-	Total of actual guaranteed balance to the subsidiaries occurred at the End of the Reporting Period (C4)				-	

Total guaranteed amount of the Company (total of the above three items)			
Total of guaranteed amount approved during the Reporting Period (A1+B1+C1)	1,520,000.00	Total of actual guaranteed amount occurred during the Reporting Period (A2+B2+C2)	325,853.39
Total of guaranteed amount approved at the End of the Reporting Period (A3+B3+C3)	1,520,000.00	Total of actual guaranteed balance occurred at the End of the Reporting Period (A4+B4+C4)	230,249.43
Total of actual guaranteed amount (A4+B4+C4) as a percentage to the net assets of the Company			16.59%
Including:			
Guarantee amount provided to Shareholders, the de facto Controller and their related parties (D)			-
Debt guarantee amount directly or indirectly provided to guaranteed party with a gearing ratio exceeding 70% (E)			194,335.71
The amount exceeding 50% of net assets in total guarantee amount (F)			-
Total guarantee amount of the above three items (D+E+F)			194,335.71
Statement on the contingent joint liability in connection with outstanding guarantees (if any)			N/A
Statement on illegal external guarantees (if any)			N/A

SECTION VI. MAJOR EVENTS

XV. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(continued)*

2. Major Guarantees *(continued)*

(1) Guarantees *(continued)*

Pledge and guarantee of bills

The thirteenth meeting of the ninth session of the Board of the Company considered and approved the “Resolution on Conducting Bills Pooling Business” and agreed that an amount of up to RMB1.4 billion for bills pooling business would be shared by the Company and its subsidiaries, such amount may be utilized on rolling basis. The pledge and guarantee of bills as at 31 December 2022 are as follows:

Unit: RMB0'000

Guarantor	Pledgee	Pledged amount of bills receivable	Name of guaranteed party	Description of guarantee	Guaranteed amount	Period of guarantee		
The Company	China Merchants Bank	11,225.98	Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	1,244.00	Until 12 June 2023		
			Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	3,550.56	Until 12 June 2023		
			Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	651.38	Until 11 August 2023		
			Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	375.31	Until 14 June 2023		
			Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Opening bank acceptance bills, joint liability guarantee	162.05	Until 8 June 2023		
			Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	633.22	Until 20 June 2023		
			Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	Opening bank acceptance bills, joint liability guarantee	171.68	Until 12 June 2023		
			Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	3,629.74	Until 21 June 2023		
			Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	Opening bank acceptance bills, joint liability guarantee	351.90	Until 12 June 2023		
			Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司)	Opening bank acceptance bills, joint liability guarantee	31.59	Until 23 June 2023		
			Industrial and Commercial Bank of China	812.66	Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	363.27	Until 26 June 2023
					Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	257.34	Until 21 May 2023

SECTION VI. MAJOR EVENTS

XV. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(continued)*

2. Major Guarantees *(continued)*

(1) Guarantees *(continued)*

Pledge and guarantee of bills *(continued)*

Unit: RMB0'000

Guarantor	Pledgee	Pledged amount of bills receivable	Name of guaranteed party	Description of guarantee	Guaranteed amount	Period of guarantee
Zuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	China Citic Bank	7,903.72	Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	6,637.32	Until 15 June 2023
			Zuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司)	Opening bank acceptance bills, joint liability guarantee	1,090.22	Until 15 March 2023

Guarantees provided to the Company by related parties

Joincare, the other shareholder of Livzon MAB, has provided a "Letter of Undertaking for Counter Guarantee", pursuant to which it has undertaken to provide a joint liability guarantee for 33.07% of the obligation of the Company under the guarantee granted to Livzon MAB and the guarantee period of which will be expired on the expiry date of the Company's obligation thereunder.

Zuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥)), the other shareholder of Xinbeijiang Pharma, has provided a "Letter of Undertaking for Counter Guarantee", pursuant to which it has undertaken to provide a joint liability guarantee for 8.44% of the obligation of the Company under the guarantee granted to Xinbeijiang Pharma and the guarantee period of which will be expired on the expiry date of the Company's obligation thereunder.

(2) Information on illegal external guarantees

Applicable Not applicable

During the Reporting Period, the Company had no illegal external guarantee.

SECTION VI. MAJOR EVENTS

XV. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(continued)*

3. Entrusted Cash Assets Management

Entrusted wealth management

Applicable Not applicable

During the Year, the Company had no entrusted wealth management.

Entrusted loans

Applicable Not applicable

During the Year, the Company had no entrusted loans.

4. Other Material Contracts

Applicable Not applicable

Save for contracts as disclosed in the Report, the Company did not enter into any other material contracts during the Year.

5. Other Material Transactions

Save for transactions as disclosed in the Report, the Company did not enter into any other material transactions during the Year.

SECTION VI. MAJOR EVENTS

XVI. SIGNIFICANT EVENTS OF SUBSIDIARIES OF THE COMPANY

Applicable Not applicable

Proposed spin-off and proposed A share listing of Livzon Diagnostics on the ChiNext Board of the Shenzhen Stock Exchange

For details of proposed spin-off and proposed A share listing of Livzon Diagnostics on the ChiNext Board of the Shenzhen Stock Exchange, please refer to "XIX. PROPOSED SPIN-OFF AND PROPOSED A SHARE LISTING OF LIVZON DIAGNOSTICS ON THE CHINEXT BOARD OF THE SHENZHEN STOCK EXCHANGE" in Section III of the Report for relevant information.

Connected transactions in relation to reorganization of shareholding structures of controlling subsidiaries

For details of the connected transactions in relation to reorganization of shareholding structures of controlling subsidiaries, please refer to "XIV. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES-1. One-off Connected Transactions" in Section VI of the Report for relevant information.

Launch of futures hedging activities by controlling subsidiaries

On 28 March 2022, the Board of the Company considered and approved the Resolution on the Launch of Futures Hedging Activities by Controlling Subsidiaries, and agreed that the controlling subsidiaries of the Company, namely, Xinbeijiang Pharma, Fuzhou Fuxing, Ningxia Pharma and Sichuan Guangda, might continuously carry out commodity futures hedging activities (the "Futures Hedging Activities"). The total deposit planned to be invested in the Futures Hedging Activities shall not exceed RMB20.00 million. The subsidiaries of the Company shall carry out the Futures Hedging Activities in a hedging principle of avoiding the risk of fluctuation in raw material price and stabilizing purchase costs, and no speculative transaction is allowed.

The Group carries out the Futures Hedging Activities for a purpose of avoiding the risks arising from the fluctuation in the prices of principal raw materials used in production and operation. The transaction relating to standardized futures contracts listed on domestic futures exchanges shall be carried out in combination with plans of sales and production procurement to hedge the price fluctuation risks in the transactions in the spot market, thereby stabilizing procurement costs and guaranteeing the steady business development of the Group.

XVII. PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

Applicable Not applicable

XVIII. OTHER SIGNIFICANT EVENTS

Save as disclosed herein, the Company had no other significant investment, material acquisition or disposal involving any subsidiary or associated company, nor other significant event which is required to be disclosed during the Year.

SECTION VII. CHANGES IN EQUITY AND SHAREHOLDERS

I. CHANGES IN SHARES

1. Changes in Shares

As at 31 December 2022, the share capital structure of the Company was as follows:

Unit: Share(s)

	Before the current change		Increase/Decrease (+,-) due to the current change			After the current change	
	Number	Percentage	Issuance of new shares	Others	Subtotal	Number	Percentage
I. Shares subject to selling restrictions	19,861,101	2.12%	-	-	-	19,861,101	2.12%
1. Shares held by State Government							
2. Shares held by State-owned entities	17,306,329	1.85%	-	-	-	17,306,329	1.85%
3. Shares held by other domestic holders	2,501,537	0.27%	-	-	-	2,501,537	0.27%
Including: Shares held by domestic entities							
Shares held by domestic natural persons	2,501,537	0.27%	-	-	-	2,501,537	0.27%
4. Shares held by foreign holders	53,235	0.01%	-	-	-	53,235	0.01%
Including: Shares held by foreign entities							
Shares held by foreign natural persons	53,235	0.01%	-	-	-	53,235	0.01%
II. Shares not subject to selling restrictions	918,004,020	97.88%	+1,091,966	-3,404,400	-2,312,434	915,691,586	97.88%
1. Ordinary shares denominated in RMB	604,768,403	64.48%	+1,091,966	-	+1,091,966	605,860,369	64.76%
2. Domestically listed foreign shares							
3. Overseas listed foreign shares	313,235,617	33.40%	-	-3,404,400	-3,404,400	309,831,217	33.12%
4. Others							
III. Total number of shares	937,865,121	100.00%	+1,091,966	-3,404,400	-2,312,434	935,552,687	100.00%

Reasons for changes in shares

Applicable Not applicable

Since the First Grant of the 2018 Share Options Incentive Scheme of the Company was in the third exercise period, and the Reserved Grant thereof was under the second exercise period, during the Reporting Period, a total of 1,091,966 share options were exercised by the incentive participants, 1,091,966 A Shares of the Company increased accordingly. In addition, during the Reporting Period, the Company has repurchased and cancelled 3,404,400 H Shares. The total number of shares of the Company decreased by 2,312,434 shares accordingly.

SECTION VII. CHANGES IN EQUITY AND SHAREHOLDERS

I. CHANGES IN SHARES *(continued)*

1. Changes in Shares *(continued)*

Approval of changes in shares

Applicable Not applicable

On 10 November 2021, the Resolution on Fulfillment of Exercise Conditions for the Third Exercise Period of the First Grant under the 2018 Share Options Incentive Scheme of the Company and the Resolution on Fulfillment of Exercise Conditions for the Second Exercise Period of the Reserved Grant under the 2018 Share Options Incentive Scheme of the Company were considered and approved at the twenty-fifth meeting of the tenth session of the Board, which resolved that the exercise conditions for the third exercise period of the first grant under the 2018 Share Options Incentive Scheme of the Company had been achieved, and agreed that the 797 incentive participants who had fulfilled the exercise conditions might exercise their 5,297,236 share options in the third exercise period at the exercise price of RMB36.16 per A Share. The exercise conditions for the second exercise period of the reserved grant under the 2018 Share Options Incentive Scheme of the Company had been achieved, and it was agreed that the 139 incentive participants who had fulfilled the exercise conditions might exercise their 977,900 share options in the second exercise period at the exercise price of RMB28.87 per A Share.

For details of the approval of share repurchase, please refer to “XVIII. REPURCHASE, SALE OR REDEMPTION OF SECURITIES” in Section III of this Report.

Transfer of changes in Shares

Applicable Not applicable

Impact of changes in shares on the financial indicators of the latest year and the latest period, such as basic and diluted earnings per share, net asset value per share attributable to the ordinary Shareholders of the Company

Applicable Not applicable

Other information considered necessary by the Company or required by securities regulators to be disclosed

Applicable Not applicable

SECTION VII. CHANGES IN EQUITY AND SHAREHOLDERS

I. CHANGES IN SHARES *(continued)*

2. Changes in Shares subject to Selling Restrictions

Applicable Not applicable

3. Sufficient Public Float

Based on the information publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained a sufficient public float as required by the Hong Kong Listing Rules as at the latest practicable date preceding the publication date of the Report.

II. ISSUE AND LISTING OF SECURITIES

1. Issue of securities (excluding preferred shares) during the Year

Applicable Not applicable

2. Changes in the total number of shares, the shareholdings and the asset and liability structure of the Company

Applicable Not applicable

Please see "I. Changes in Shares" in section VII of the Report for details.

3. Existing Staff Shares

Applicable Not applicable

SECTION VII. CHANGES IN EQUITY AND SHAREHOLDERS

III. SHAREHOLDERS AND ULTIMATE BENEFICIAL OWNER

1. Number and Shareholdings of Shareholders of the Company

Total number of ordinary Shareholders as at the End of the Reporting Period	63,078, including 63,055 A Shareholders and 23 H Shareholders	Total number of ordinary Shareholders as at the end of the month prior to the disclosure date of the annual report	63,230, including 63,207 A Shareholders and 23 H Shareholders	Total number of preferential shareholders with voting rights resumed at the End of the Reporting Period (if any)	0	Total number of preferential Shareholders with voting rights resumed as at the end of the month prior to the disclosure date of the annual report (if any)	0
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Shareholders holding more than 5% shares or shareholdings of the top 10 shareholders

Name of Shareholder (full name)	Nature of Shareholder	Class of Shares	Shareholding percentage	Number of	Change	Number of	Number	Pledge or lock-up	
				Shares held at the End of the Period (shares)	during the Reporting Period (shares)	Shares subject to selling restriction (shares)	of Shares without selling restrictions (shares)	Share status	Number
HKSCC Nominees Limited ^(Note 2)	Foreign entity	H Share	33.09%	309,576,609	-3,431,708	-	309,576,609	-	-
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Domestic non-state owned entity	A Share	23.66%	221,376,789	-	-	221,376,789	-	-
Hong Kong Securities Clearing Company Limited	Foreign entity	A Share	3.21%	29,985,117	-6,657,700	-	29,985,117	-	-
Guangzhou Begol Trading Holdings Limited (廣州市保科力貿易公司)	State owned entity	A Share	1.85%	17,306,329	-	17,306,329	-	Pledged and locked up	17,306,329
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Domestic non-state owned entity	A Share	1.80%	16,830,835	-	-	16,830,835	-	-
Shanghai Lingren Private Equity Fund Management Partnership (Limited Partnership) - Lingren Excellence Evergreen Phase II Private Equity Securities Investment Fund (上海瓊仁私募基金管理合夥企業(有限合夥) - 瓊仁卓越長青二期私募證券投資基金)	Others	A Share	0.54%	5,094,949	-	-	5,094,949	-	-
Norges Bank - Internal Funds (挪威中央銀行 - 自有資金)	Overseas legal person	A Share	0.43%	3,986,562	-762,756	-	3,986,562	-	-
Basic Pension Insurance Fund 1006 Portfolio (基本養老保險基金 - 零零六組合)	Others	A Share	0.34%	3,209,136	+3,209,136	-	3,209,136	-	-
Agricultural Bank of China Limited-CSI500 Index Open-ended Fund (中國農業銀行股份有限公司 - 中證 500 交易型開放式指數證券投資基金)	Others	A Share	0.31%	2,922,666	+795,661	-	2,922,666	-	-
He Shijin (何時金)	Domestic natural person	A Share	0.30%	2,851,505	+590,705	-	2,851,505	-	-

SECTION VII. CHANGES IN EQUITY AND SHAREHOLDERS

III. SHAREHOLDERS AND ULTIMATE BENEFICIAL OWNER *(continued)*

1. Number and Shareholdings of Shareholders of the Company *(continued)*

Shareholders holding more than 5% shares or shareholdings of the top 10 shareholders

Name of Shareholder (full name)	Nature of Shareholder	Class of Shares	Shareholding percentage	Number of Shares held at the End of the Period <i>(shares)</i>	Change during the Reporting Period <i>(shares)</i>	Number of Shares subject to selling restriction <i>(shares)</i>	Number of Shares without selling restrictions <i>(shares)</i>	Pledge or lock-up Share status	Number
Description of strategic investors or general legal persons who became Top 10 Shareholders through placement of new shares (if any)	Not applicable								
Description of related relationship or acting-in-concert relationship of the above Shareholders				(1) On 2 January 2004, Joicare and Begol entered into a Share Transfer and Custody Agreement and a Share Pledge Agreement, pursuant to which the 6,059,428 shares of the Company held by Begol as domestic entity (the number of shares was increased to 7,877,256 shares after the Company's implementation of 2014 Equity Distribution, the number of shares was increased to 10,240,432 shares after the Company's implementation of 2016 Equity Distribution, the number of shares was increased to 13,312,561 shares after the Company's implementation of 2017 Equity Distribution and the number of shares was increased to 17,306,329 shares after the Company's implementation of 2018 Equity Distribution) were directly transferred, entrusted and pledged to Joicare; (2) Haibin Pharma was a subsidiary directly and indirectly owned by Joicare as to 100% equity interest; (3) the Company was not aware whether the other Shareholders mentioned above are related parties or persons acting-in-concert as defined in the Administrative Measures for the Takeover of Listed Companies (《上市公司收購管理辦法》).					
Explanation on above shareholders' delegation of/being entrusted with and waiver of voting rights	None								
Special explanation on the existence of repurchase special accounts among the top ten Shareholders (if any)	None								

SECTION VII. CHANGES IN EQUITY AND SHAREHOLDERS

III. SHAREHOLDERS AND ULTIMATE BENEFICIAL OWNER (continued)

1. Number and Shareholdings of Shareholders of the Company (continued)

Shareholdings of top 10 ordinary shareholders not subject to selling restrictions

Name of Shareholder	Number of shares not subject to selling restrictions at the End of the Year (shares)		Class	Shares Number (shares)
HKSCC Nominees Limited	309,576,609		Overseas listed foreign shares	309,576,609
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	221,376,789		Ordinary shares denominated in RMB	221,376,789
Hong Kong Securities Clearing Company Limited	29,985,117		Ordinary shares denominated in RMB	29,985,117
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	16,830,835		Ordinary shares denominated in RMB	16,830,835
Shanghai Lingren Private Equity Fund Management Partnership (Limited Partnership) – Lingren Excellence Evergreen Phase II Private Equity Securities Investment Fund (上海領仁私募基金管理合夥企業(有限合夥) – 領仁卓越長青二期私募證券投資基金)	5,094,949		Ordinary shares denominated in RMB	5,094,949
Norges Bank – Internal Funds (挪威中央銀行 – 自有資金)	3,986,562		Ordinary shares denominated in RMB	3,986,562
Basic Pension Insurance Fund 1006 Portfolio (基本養老保險基金 – 零零六組合)	3,209,136		Ordinary shares denominated in RMB	3,209,136
Agricultural Bank of China Limited-CSI500 Index Open-ended Fund (中國農業銀行股份有限公司 – 中證 500 交易型開放式指數證券投資基金)	2,922,666		Ordinary shares denominated in RMB	2,922,666
He Shijin (何時金)	2,851,505		Ordinary shares denominated in RMB	2,851,505
China Life Insurance Company Limited – Traditional – Ordinary Insurance Product -005L-CT001 SZ (中國人壽保險股份有限公司 – 傳統 – 普通保險產品-005L-CT001 深)	2,833,252		Ordinary shares denominated in RMB	2,833,252
Description of related relationship or acting-in-concert relationship among the top 10 Shareholders not subject to selling restrictions themselves and between the top 10 Shareholders not subject to selling restrictions and the top 10 Shareholders	(1) On 2 January 2004, Joincare and Begol entered into a Share Transfer and Custody Agreement and a Share Pledge Agreement, pursuant to which the 6,059,428 shares of the Company held by Begol as domestic entity (the number of shares was increased to 7,877,256 shares after the Company's implementation of 2014 Equity Distribution, the number of shares was increased to 10,240,432 shares after the Company's implementation of 2016 Equity Distribution, the number of shares was increased to 13,312,561 shares after the Company's implementation of 2017 Equity Distribution and the number of shares was increased to 17,306,329 shares after the Company's implementation of 2018 Equity Distribution) were directly transferred, entrusted and pledged to Joincare; (2) Haibin Pharma was a subsidiary directly and indirectly owned by Joincare as to 100% equity interest; (3) the Company was not aware whether the other Shareholders mentioned above are related parties or persons acting-in-concert as defined in the Administrative Measures for the Takeover of Listed Companies (《上市公司收購管理辦法》).			
Description of the top 10 ordinary Shareholders involved in the margin financing and securities lending business (if any)	Not Applicable			

Notes:

- The shareholdings of the above top 10 Shareholders were based on the register of Shareholders as at 31 December 2022, provided by CSDCC and Tricor Investors Services Limited in Hong Kong.
- HKSCC Nominees Limited is a nominee holder of H Shares of the Company, and the Company cannot ascertain whether such H Shares are subject to any pledge or lock-up, and such shareholdings held by HKSCC Nominees Limited as nominee included 163,364,672 H Shares held by Topsino, which was a wholly-owned subsidiary of Joincare, the controlling Shareholder of the Company.

SECTION VII. CHANGES IN EQUITY AND SHAREHOLDERS

III. SHAREHOLDERS AND ULTIMATE BENEFICIAL OWNER *(continued)*

1. Number and Shareholdings of Shareholders of the Company *(continued)*

Whether any of the top 10 ordinary Shareholders and the top 10 ordinary Shareholders not subject to selling restrictions of the Company conducted any transactions on agreed repurchases during the Reporting Period

Yes No

The top 10 ordinary Shareholders and the top 10 ordinary Shareholders not subject to selling restrictions of the Company did not conduct any transactions on agreed repurchases during the Reporting Period.

2. Controlling Shareholder of the Company

Name of Controlling Shareholder	Legal representative/ responsible person	Date of establishment	Unified social credit code	Registered capital	Principal activities
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Zhu Baoguo (朱保國)	18 December 1992	91440300618874367T	RMB1,929,189,374	General operating items: entrusted manufacturing of drugs; technical services, technology development, technology consulting, technology exchange, technology transfer, technology promotion. (Except for projects subject to approval according to laws, business activities can be conducted independently with the business license in accordance with the laws). Permitted operating items: R&D, wholesale, import and export and related supplementary businesses (exclusive of R&D of state protected resources for Chinese medicinal materials, secret recipe of proprietary Chinese medicines) of proprietary Chinese medicines, chemical APIs, chemical drug preparation products, antibiotics APIs and their preparations (except the commodities not involved in the management of state-owned trade, and goods that are subject to quota, license management and other special regulations, applications should be processed in accordance with relevant national regulations); R&D of food, health food and cosmetics; sales of pre-packaged food (excluding frozen food), sales of special food (sales of health food, sales of special medical formula food); research & development and sales of class I and II medical devices. Production of class I medical devices; production of class II medical devices; production of class III medical devices; operation of class III medical devices. (For projects subject to approval according to laws, business activities can only be carried out after approval by relevant departments. Operations of specific businesses are subject to the approval documents or permits of the relevant authorities)

Controlling Shareholders' equity interests in other controlled and invested companies whose shares are listed domestic or overseas during the Reporting Period

Joincare (Stock Abbreviation: Joincare and Stock Code: 600380.SH) is listed on the Shanghai Stock Exchange and please see the full text of annual report for 2021 of Joincare as disclosed in the website of the Shanghai Stock Exchange (www.sse.com.cn) for more details about its operating results, financial position, cash flow and future development strategy.

SECTION VII. CHANGES IN EQUITY AND SHAREHOLDERS

III. SHAREHOLDERS AND ULTIMATE BENEFICIAL OWNER *(continued)*

2. Controlling Shareholder of the Company *(continued)*

Change in controlling Shareholder during the Year

Applicable Not applicable

There was no change in the controlling shareholder of the Company during the Year.

3. Ultimate Beneficial Owner of the Company

Name of the ultimate beneficial owner	Nationality	Whether obtaining any right of residence of other countries or regions
Zhu Baoguo (朱保國)	China	No
Careers and duties	Please refer to "XIII. Positions Held by Directors, Supervisors and Senior Management" in Section IV of this Report for details.	
Domestic and overseas listed companies controlled over the past ten years	Joincare	

Change in the ultimate beneficial owner during the Year

Applicable Not applicable

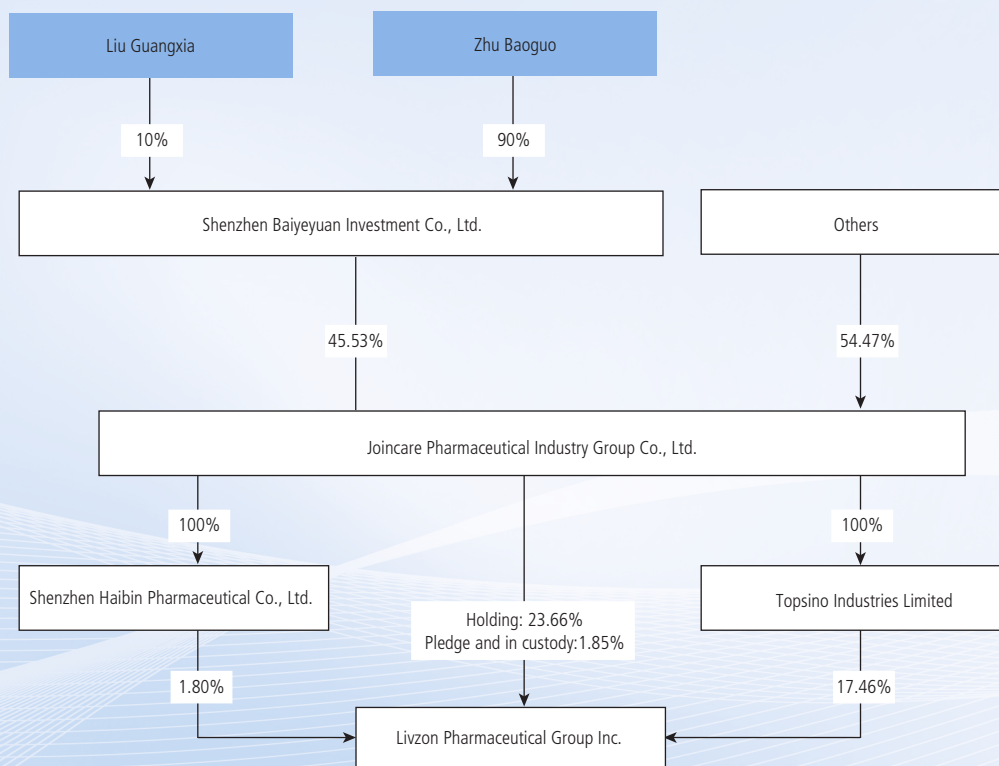
There was no change in the ultimate beneficial owner of the Company during the Year.

SECTION VII. CHANGES IN EQUITY AND SHAREHOLDERS

III. SHAREHOLDERS AND ULTIMATE BENEFICIAL OWNER *(continued)*

3. Ultimate Beneficial Owner of the Company *(continued)*

Structure chart on ownership and controlling relationship between the Company and its ultimate beneficial owner as at the End of the Year



Notes:

1. Zhu Baoguo (朱保國) is the spouse of Liu Guangxia (劉廣霞).
2. As at the End of the Reporting Period, Baiyeyuan holds 878,272,753 shares of Joicare, accounting for 45.53% of the shares of Joicare.

Companies controlled by the ultimate beneficial owner via trust or through other asset management methods

Applicable Not applicable

SECTION VII. CHANGES IN EQUITY AND SHAREHOLDERS

III. SHAREHOLDERS AND ULTIMATE BENEFICIAL OWNER *(continued)*

4. Other Legal Shareholders with a Shareholding of More Than 10%

Applicable Not applicable

5. Restrictions to Reduction in Shareholdings for Controlling Shareholders, Ultimate Beneficial Owners, Re-organization Parties and Other Commitment Bodies

Applicable Not applicable

6. The Cumulative Number of Shares Pledged by the Company's Controlling Shareholder or the Largest Shareholder and its Parties Acting in Concert Accounting for 80% of their Shareholdings in the Company

Applicable Not applicable

IV. PARTICULARS OF THE IMPLEMENTATION OF SHARE REPURCHASE DURING THE REPORTING PERIOD

Progress of the implementation of share repurchase

Applicable Not applicable

Date of disclosure of the plan	Nature of shares to be repurchased	Number of shares to be repurchased	Percentage to the total share capital	Proposed repurchase amount	Proposed repurchase period	Purpose of the repurchase	Number of shares repurchased <i>(shares)</i>	Percentage of the number of shares repurchased to the underlying shares involved in the equity incentive scheme <i>(if any)</i>
15 September 2022	A Share	10,000,000 shares to 20,000,000 shares	1.07% to 2.14%	RMB400,000,000 to RMB800,000,000	25 October 2022 to 24 October 2023	Cancellation	1,696,100	N/A
16 April 2021	H Share	The maximum amount shall not exceed 10% of the total number of issued and H shares not repurchased, and shall satisfy a public shareholding of H shares of not less than 15% of the total share capital upon completion of an H shares repurchase by the Company.		Not applicable	20 May 2021 to 19 May 2022	Cancellation	3,404,400	N/A

Note: As at the disclosure date of the Report, the Company has cumulatively repurchased 5,232,048 A Shares in total.

Progress of the implementation of sale of repurchased share through centralized price bidding

Applicable Not applicable

SECTION VII. CHANGES IN EQUITY AND SHAREHOLDERS

V. AS AT 31 DECEMBER 2022, THE INTERESTS OR SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (WITHIN THE MEANING OF PART XV OF SFO) AS RECORDED IN THE REGISTER REQUIRED TO BE KEPT UNDER SECTION 352 OF THE SFO, OR AS OTHERWISE NOTIFIED TO THE COMPANY AND THE HONG KONG STOCK EXCHANGE PURSUANT TO THE MODEL CODE, WERE AS FOLLOWS:

Interest in shares/underlying shares of the Company

Name of director	Capacity	Number of shares/ underlying shares interested (Long position)	As a percentage of the specific class of issued shares of the Company	As a percentage of the total issued shares of the Company
Mr. Zhu Baoguo (朱保國)	Interest of controlled corporation	255,513,953 A Shares ^{(1) (2)} 163,364,672 H Shares ^{(1) (3)}	40.84% 52.73%	27.31% 17.46%
Mr. Tao Desheng (陶德勝)	Beneficial owner Interest of spouse	733,800 A Shares ^{(4) (21)} 210,806 A Shares ^{(5) (6) (21)} 944,606 A Shares	0.15%	0.10%
Mr. Xu Guoxiang (徐國祥)	Beneficial owner	943,800 A Shares ^{(7) (21)}	0.15%	0.10%
Mr. Tang Yanggang (唐陽剛)	Beneficial owner	504,963 A Shares ^{(8) (21)}	0.08%	0.05%

SECTION VII. CHANGES IN EQUITY AND SHAREHOLDERS

V. AS AT 31 DECEMBER 2022, THE INTERESTS OR SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (WITHIN THE MEANING OF PART XV OF SFO) AS RECORDED IN THE REGISTER REQUIRED TO BE KEPT UNDER SECTION 352 OF THE SFO, OR AS OTHERWISE NOTIFIED TO THE COMPANY AND THE HONG KONG STOCK EXCHANGE PURSUANT TO THE MODEL CODE, WERE AS FOLLOWS: *(continued)*

Interest in shares/underlying shares of associated corporations of the Company

Name of director	Name of associated corporation	Capacity	Equity interest/ number of shares (Long position)	As a percentage of the equity interest of associated corporation
Mr. Zhu Baoguo (朱保國)	Baiyeyuan	Beneficial owner	72,000,000 (RMB) ⁽¹⁾	90.00% ⁽¹⁾
	Joincare	Interest of controlled corporations	878,272,753 shares ⁽¹⁾⁽⁹⁾	45.53% ⁽¹⁰⁾
	LivzonBio ⁽¹¹⁾	Interest of controlled corporations	294,000,000 (RMB) ⁽¹⁾⁽¹²⁾	33.07% ⁽¹¹⁾
	Livzon HK ⁽¹¹⁾	Interest of controlled corporations	4,000 shares ⁽¹⁾⁽¹³⁾	100.00% ⁽¹¹⁾
	Livzon MAB ⁽¹¹⁾	Interest of controlled corporations	1,453,330,000 (RMB) ⁽¹⁾⁽¹⁴⁾	100.00% ⁽¹¹⁾
Mr. Tang Yanggang (唐陽剛)	Xinbeijiang Pharma ⁽¹⁵⁾	Interest of controlled corporations	20,238,780 shares ⁽¹⁵⁾	8.44%
	Livzon Diagnostics ⁽¹⁶⁾	Interest of controlled corporations	36,099,971 shares ⁽¹⁶⁾	9.03%
Mr. Xu Guoxiang (徐國祥)	Livzon Diagnostics ⁽¹⁷⁾	Others	2,153,399 shares ⁽¹⁷⁾	0.54%
Mr. Qiu Qingfeng (邱慶豐)	Joincare	Beneficial owner	1,317,409 shares ⁽¹⁸⁾	0.07%
Mr. Yu Xiong (俞雄)	Joincare	Beneficial owner	1,600,000 shares ⁽¹⁹⁾	0.08%
		Interest of spouse	3,720 shares ⁽²⁰⁾	
			1,603,720 shares	

SECTION VII. CHANGES IN EQUITY AND SHAREHOLDERS

V. AS AT 31 DECEMBER 2022, THE INTERESTS OR SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (WITHIN THE MEANING OF PART XV OF SFO) AS RECORDED IN THE REGISTER REQUIRED TO BE KEPT UNDER SECTION 352 OF THE SFO, OR AS OTHERWISE NOTIFIED TO THE COMPANY AND THE HONG KONG STOCK EXCHANGE PURSUANT TO THE MODEL CODE, WERE AS FOLLOWS: *(continued)*

Notes:

- (1) Joincare was 45.53% held by Baiyeyuan which was in turn 90% held by Mr. Zhu Baoguo. Mr. Zhu Baoguo was deemed to be interested in the shares of the Company and the equity interest of its associated corporations in which Joincare was or was deemed to be interested by virtue of the SFO.
- (2) Among these shares, 238,683,118 shares (in which 17,306,329 shares were directly transferred, entrusted and pledged by Begol in favor of Joincare in accordance with the Share Transfer, Custody and Pledge Agreement entered into among three parties, namely Begol, Joincare and Zhuhai Lishi Investment Co., Ltd. (珠海市麗士投資有限公司), on 2 January 2004, and the Share Transfer and Custody Agreement and the Share Pledge Agreement entered into between Begol and Joincare) and 16,830,835 shares were held directly by Joincare and its wholly-owned subsidiary, Haibin Pharma, respectively.
- (3) These shares were held directly by Topsino, a wholly-owned subsidiary of Joincare.
- (4) These shares are all A shares of the Company.
- (5) These shares included 64,000 share options, which were able to subscribe for 64,000 A Shares of the Company pursuant to the 2022 Share Options Incentive Scheme of the Company.
- (6) As these shares and underlying shares were held directly by Ms. Hou Xuemei, the spouse of Mr. Tao Desheng, Mr. Tao Desheng was deemed to be interested in these shares and underlying shares.
- (7) These shares included 160,000 share options, which were able to subscribe for 160,000 A Shares of the Company pursuant to the 2022 Share Options Incentive Scheme of the Company.
- (8) These shares included 160,000 share options, which were able to subscribe for 160,000 A Shares of the Company pursuant to the 2022 Share Options Incentive Scheme of the Company.
- (9) Baiyeyuan held 878,272,753 shares of Joincare.
- (10) The total issued share capital of Joincare was 1,929,189,374 shares. Therefore, Baiyeyuan held 45.53% equity interest in Joincare.
- (11) LivzonBio was directly held as to 33.07% by Joincare. Livzon HK and Livzon MAB were directly held as to 100% by LivzonBio.
- (12) These equity interests were held by Joincare.
- (13) These shares were held by LivzonBio.
- (14) These equity interests were held by LivzonBio.

SECTION VII. CHANGES IN EQUITY AND SHAREHOLDERS

V. AS AT 31 DECEMBER 2022, THE INTERESTS OR SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (WITHIN THE MEANING OF PART XV OF SFO) AS RECORDED IN THE REGISTER REQUIRED TO BE KEPT UNDER SECTION 352 OF THE SFO, OR AS OTHERWISE NOTIFIED TO THE COMPANY AND THE HONG KONG STOCK EXCHANGE PURSUANT TO THE MODEL CODE, WERE AS FOLLOWS: *(continued)*

Notes: *(continued)*

- (15) Xinbeijiang Pharma was directly held as to 87.14% by the Company, and directly held as to 8.44% (i.e. 20,238,780 shares) by Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥)), which was in turn directly held as to 45.50% by Mr. Tang Yanggang.
- (16) Livzon Diagnostics was directly held as to 39.425% by the Company, and as to 9.025% (i.e. 36,099,971 shares) by Zhuhai Liying Investment Management Partnership (Limited Partnership) (珠海麗英投資管理合夥企業(有限合夥)) (“Liying”), and Mr. Tang Yanggang was the general partner of Liying who directly held 19.9234% equity interest in Liying and had sole discretion to decide all matters of Liying. On 9 September 2021, Livzon Diagnostics issued new shares by way of conversion into share capital to all of its shareholders in proportion to their shareholdings pursuant to its 2020 profit distribution plan. After the conversion, the share capital of Livzon Diagnostics increased from 92,876,771 shares to 400,000,000 shares. The number of shares of Livzon Diagnostics held by Liying changed from 8,382,100 shares to 36,099,971 shares, and the shareholding percentage remained unchanged.
- (17) Mr. Xu Guoxiang directly held 5.9651% equity interest in Liying, and therefore Livzon Diagnostics was indirectly held as to 0.54% by Mr. Xu Guoxiang. On 9 September 2021, the share capital of Livzon Diagnostics increased from 92,876,771 shares to 400,000,000 shares. Therefore, the number of shares of Livzon Diagnostics indirectly held by Mr. Xu Guoxiang changed from 500,000 shares to 2,153,399 shares.
- (18) These shares included 600,000 share options, which were able to subscribe for 600,000 A shares of Joincare pursuant to the 2022 share options incentive scheme of Joincare.
- (19) These shares included 800,000 share options, which were able to subscribe for 800,000 A shares of Joincare pursuant to the 2022 share options incentive scheme of Joincare.
- (20) As these shares were held directly by Ms. Qian Lingyun (錢凌雲), the spouse of Mr. Yu Xiong, hence Mr. Yu Xiong was deemed to be interested in these shares.
- (21) For details of the aforesaid 2022 Share Options Incentive Scheme, please refer to the relevant information of “XXI. SHARE OPTIONS INCENTIVE SCHEMES” in Section III of the Report.

SECTION VII. CHANGES IN EQUITY AND SHAREHOLDERS

VI. AS AT 31 DECEMBER 2022, THE FOLLOWING MAJOR SHAREHOLDERS AND OTHER PERSONS, OTHER THAN THE DIRECTORS, SUPERVISORS OR CHIEF EXECUTIVES (AS DEFINED IN THE SFO), HAD INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY WHICH WERE REQUIRED TO BE RECORDED IN THE REGISTER REQUIRED TO BE KEPT BY THE COMPANY UNDER SECTION 336 OF THE SFO:

Name of Shareholder	Capacity	Number of shares interested	Position	As a percentage of the specific class of issued shares of the Company	As a percentage of the total issued shares of the Company
Substantial Shareholders					
Baiyeyuan	Interest of controlled corporations	255,513,953 A Shares ⁽¹⁾	Long position	40.84%	27.31%
	Interest of controlled corporations	163,364,672 H Shares ⁽²⁾	Long position	52.73%	17.46%
Ms. Liu Guangxia (劉廣霞)	Interest of spouse	255,513,953 A Shares ⁽³⁾	Long position	40.84%	27.31%
		163,364,672 H Shares ⁽³⁾	Long position	52.73%	17.46%
Joincare	Beneficial owner	221,376,789 A Shares	Long position		
	Interest of controlled corporations	16,830,835 A Shares ⁽⁴⁾	Long position		
	Holder of security interest in shares	17,306,329 A Shares ⁽⁵⁾	Long position		
		255,513,953 A Shares		40.84%	27.31%
	Interest of controlled corporations	163,364,672 H Shares ⁽²⁾	Long position	52.73%	17.46%
Topsino	Beneficial owner	163,364,672 H Shares	Long position	52.73%	17.46%

Notes:

- (1) Among these shares, 238,683,118 shares and 16,830,835 shares were directly held by Joincare and its wholly-owned subsidiary, Haibin Pharma, respectively.
- (2) These shares were directly held by Topsino, a wholly-owned subsidiary of Joincare.
- (3) As Ms. Liu Guangxia is the spouse of Mr. Zhu Baoguo, she is deemed to be interested in the shares in which Mr. Zhu Baoguo is deemed to be interested.
- (4) These shares were directly held by Haibin Pharma, a wholly-owned subsidiary of Joincare.
- (5) These shares were directly transferred, entrusted and pledged by Begol in favor of Joincare in accordance with the Share Transfer, Custody and Pledge Agreement entered into among three parties, namely Begol, Joincare and Zhuhai Lishi Investment Co., Ltd. (珠海市麗士投資有限公司), on 2 January 2004 and the Share Transfer and Custody Agreement and the Share Pledge Agreement entered into between Begol and Joincare.

SECTION VIII. INFORMATION ON PREFERRED SHARES

Applicable Not applicable

The Company had no preferred shares during the Year.

SECTION IX. INFORMATION ON BONDS

Applicable Not applicable

The Company had no corporate bonds during the Year.



Grant Thornton
致同

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AUDIT REPORT

GTCSZ (2023) No.442A005316

To the Shareholders of Livzon Pharmaceutical Group Inc.:

I. AUDIT OPINIONS

We have audited the financial statements of Livzon Pharmaceutical Group Inc. (麗珠醫藥集團股份有限公司) (hereinafter referred to as "Livzon Group Company"), which comprise the consolidated and company balance sheets as at 31 December 2022, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the year 2022 together with the relevant notes to financial statements.

In our opinion, the accompanying financial statements are, in all material aspects, prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and give a fair view on the consolidated and company financial positions as at 31 December 2022 and the consolidated and company operation results and cash flows for the year 2022.

II. BASIS FOR AUDIT OPINIONS

We conducted our audit in accordance with the requirements of the China Standards on Auditing for Certified Public Accountants. Our responsibilities under those standards are further described in the section "CERTIFIED PUBLIC ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS" of the audit report. We are independent of the Livzon Group Company in accordance with the Code of Ethics for Chinese Certified Public Accountant, and we have fulfilled our other ethical responsibilities. We believe that the audit evidences obtained by us are sufficient, appropriate and provide the basis for our audit opinions.

SECTION X. FINANCIAL REPORT

III. KEY AUDIT MATTERS

Key audit matters are 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 opinions thereon, and we do not provide a separate opinion on these matters.

(I) Recognition of revenue

For details of the relevant information disclosure, please refer to Note III. 28 and Note V. 40 to the financial statements.

1. Item description

In 2022, Livzon Group Company recorded revenue of RMB12,523.6901 million from its principal business. Due to the importance of revenue to the financial statements as a whole and there was a risk of material misstatement in the truthfulness and accurate recognition of revenue in the appropriate period. Therefore, recognition of revenue is confirmed by us as a critical auditing item.

2. Auditing technique

- (1) Understand and evaluate the design of critical internal control of the Management relating to recognition of revenue, test the effectiveness of exercising the critical control.
- (2) Obtain the agreements signed between the company and the customer, verify the key contractual terms such as delivery of goods and inspection for acceptance, payment and settlement, policies for replacement and return of goods, etc.
- (3) By enquiring the industrial and commercial information of the client and interviewing the relevant staff of the company to confirm whether a related relationship exists between the customer and the company, as well as understand the reasons for changes made by the customer and the status of implementation of the contractual agreement, etc., connect to the business system that directly connects the company with the customers, select sample customer statistics for analyzing the ultimate sales amount of products purchased from the company.
- (4) Obtain the records of goods returned or replaced in the supply chain system of the company for examination to confirm whether material unusual return or replacement of goods that affected the recognition of revenue has occurred.
- (5) Select sample transactions with revenue recorded in 2022 and check with supporting documents such as the contract, purchase order, goods delivery voucher, transportation voucher, credit sales evidence, reconciliation statements on regular dates, etc., check the fund flow records of funds received, and carry out documentary proof procedures on customer sales and account receivables by selecting samples.
- (6) Gather factors such as market and industry trends and business expansion by product category, combine with market data compiled by third party consulting firms, carry out analysis procedure on revenue to analyze the reasonableness of changes in revenue.
- (7) Select sample transactions with sales revenue before and after the balance sheet date, examine the sales contracts, invoices, goods delivery vouchers, transportation vouchers, and credit sales evidence, to assess whether revenue was recorded in the appropriate accounting period.

SECTION X. FINANCIAL REPORT

III. KEY AUDIT MATTERS *(continued)*

(II) Provisions for bad debt to account receivables

For details of the relevant information disclosure, please refer to Note III. 10 and Note V. 4 to the financial statements.

1. Item description

As at 31 December 2022, the balance of receivables in the consolidated balance sheet of Livzon Group Company was RMB2,463.4247 million, and the provision for bad debt was RMB48.1679 million, which were significant to the financial statements as a whole. Since the Management was required to use significant accounting estimates and judgment in assessing the expected collectable amount of account receivables, if the account receivables were unable to be collected as scheduled, or not at all, resulting in bad debt losses, this would have material effect on the financial statement. Therefore, we would consider the provision for bad debt to account receivables as a critical audit item.

2. Auditing technique

- (1) Understand and evaluate the design of the critical internal control relevant to the Management and the management of account receivables, and test the effectiveness of exercising the critical control.
- (2) Understand the recognition basis and process for expected credit loss rate, understand the key parameters and assumptions used in the expected credit loss model, including the basis for grouping receivables according to the characteristics of the customer's credit risk and the data of historical mobility rate embedded in the expected credit loss rate; by examining the information used for making judgment, including testing the accuracy of historical mobility rate, and evaluating whether the expected credit loss rate has taken into consideration and has been appropriately adjusted in accordance with the current economic conditions and forward looking information, to evaluate the reasonableness of the estimated provision for bad debt.
- (3) Obtain the table of charging provision for bad debt of account receivable, examine whether the charging method is carried out in accordance with the policy on provision for bad debt; recalculate the amount of provision for bad debt to check whether it is accurate.
- (4) Analyze the proportion of the balance of provision for bad debt of account receivables at the end of the period, and compare the amount of provision for bad debt charged in the preceding period with the amount of actual occurrence of bad debt, analyze whether the provision for bad debt of account receivables was sufficient.
- (5) Analyze the aging of account receivables and the creditworthiness of customers, through audit procedures such as documentary evidence and check the amount recovered after the balance sheet date, to evaluate the reasonableness of the amount of provision for bad debt of account receivables.

SECTION X. FINANCIAL REPORT

IV. OTHER INFORMATION

The Management of the Livzon Group Company is responsible for other information. Other information includes the information covered in the 2022 Annual Report of the Livzon Group Company, but excludes the financial statements and our audit report.

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

In connection with our audit of the financial statements, our responsibility is to read other information and in the process, consider whether other information is materially inconsistent with the financial statements or 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 in other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF THE MANAGEMENT AND THE GOVERNANCE TEAM FOR THE FINANCIAL STATEMENTS

The Management of the Livzon Group Company is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control as necessary to ensure the financial statements are free from material misstatement due to fraud or error.

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

The governance team is responsible for overseeing the Livzon Group 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 audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

In conducting an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

SECTION X. FINANCIAL REPORT

VI. CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(continued)*

- (2) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) conclude on the appropriateness of 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 Livzon Group Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, according the auditing standards, we are required to draw the attention of the users of financial statements in our audit report to the related disclosures in these financial statements or, if such disclosures are inadequate, to qualify our opinion. Our conclusions are based on the information obtained up to the date of our audit report. However, future events or conditions may cause the Livzon Group Company to cease to continue as a going concern.
- (5) evaluate the overall presentation, structure and content of the financial statements, and determine whether the financial statements represent the underlying transactions and matters in a manner that achieves fair presentation.
- (6) obtain sufficient appropriate audit evidences regarding the financial information of the entities or business activities within the Livzon Group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit, and are solely responsible for our audit opinion.

We have discussed with the governance team regarding, among other matters, the planned scope, timing and significant findings of the audit, including any significant deficiencies in internal control we have identified during the audit.

We have also provided the governance team with a statement that we have complied with relevant ethical requirements regarding independence, and discussed with them on all relationships and other matters that may reasonably be believed to have impact on our independence and, where applicable, related preventive measures.

From the matters we discussed with the governance team, we have determined which matters are of the most importance for the audit of the financial statements of the current period and are key audit matters. We have described such matters in our audit report unless such matters are prohibited by laws or regulations to be publicly disclosed, or in extremely rare circumstances, we have determined that a matter should not be discussed in our report on the ground that the adverse consequences of doing so would reasonably be expected to outweigh the public benefits of such discussion.

Grant Thornton (Special General Partnership)

PRC Certified Public Accountant: Li Encheng (李恩成)
(Project Partner)

PRC Certified Public Accountant: Wei Heng (魏恒)

Beijing, China
30 March 2023

CONSOLIDATED AND COMPANY BALANCE SHEET

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount at the End of the Year		Amount at the Beginning of the Year	
		Consolidated	Company	Consolidated	Company
Current assets:					
Monetary fund	V.1	10,411,348,410.09	8,575,108,639.91	9,146,373,455.01	7,577,721,240.98
Financial assets held for trading	V.2	108,094,033.51	15,455,112.60	182,773,354.56	13,250,402.40
Bills receivables	V.3	1,623,939,626.22	876,485,800.66	1,342,029,380.44	892,715,893.48
Accounts receivables	V.4	2,415,256,725.64	1,135,120,538.30	1,951,898,111.20	905,682,483.41
Receivables financing					
Prepayments	V.5	201,986,556.28	18,031,717.62	281,083,347.36	17,548,790.19
Other receivables	V.6	44,426,856.44	1,141,503,364.77	47,768,970.54	1,198,183,164.60
Of which: Interest receivable					
Dividends receivable			386,843,888.07		340,100,088.07
Inventories	V.7	2,045,341,552.12	553,052,679.10	1,663,227,968.17	495,944,039.54
Contract assets					
Held-for-sale assets					
Non-current assets due within one year				317,381.23	
Other current assets	V.8	136,903,280.08	10,838,939.64	57,624,626.16	5,465,630.24
Total current assets		16,987,297,040.38	12,325,596,792.60	14,673,096,594.67	11,106,511,644.84
Non-current assets:					
Debt investments					
Other debt investments					
Long-term receivables				266,904.13	
Long-term equity investments	V.9	1,055,939,326.49	3,784,233,725.71	1,064,968,250.00	3,785,447,205.34
Other equity instrument investments	V.10	682,275,271.41	219,728,594.64	629,914,544.37	176,366,200.00
Other non-current financial assets					
Investment properties					
Fixed assets	V.11	3,967,614,462.32	86,665,823.31	3,669,728,093.97	92,968,672.60
Construction in progress	V.12	602,442,281.75	819,809.02	554,575,587.48	
Productive biological assets					
Oil and gas assets					
Right-of-use assets	V.13	21,828,952.90	1,055,445.80	14,588,322.60	870,120.32
Intangible assets	V.14	557,437,332.79	30,799,972.54	260,279,167.34	29,857,473.53
Development expenditure	V.15	268,954,952.69	14,635,550.19	574,499,574.42	13,244,598.15
Goodwill	V.16	103,040,497.85		103,040,497.85	
Long-term deferred expenses	V.17	147,783,523.97	6,498,989.53	129,910,521.60	6,458,038.53
Deferred income tax assets	V.18	280,547,017.74	101,085,356.59	252,694,687.27	94,308,174.28
Other non-current assets	V.19	189,664,705.94	71,946,257.70	444,352,845.12	78,030,099.24
Total non-current assets		7,877,528,325.85	4,317,469,525.03	7,698,818,996.15	4,277,550,581.99
Total assets		24,864,825,366.23	16,643,066,317.63	22,371,915,590.82	15,384,062,226.83

CONSOLIDATED AND COMPANY BALANCE SHEET

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount at the End of the Year		Amount at the Beginning of the Year	
		Consolidated	Company	Consolidated	Company
Current liabilities:					
Short-term loans	V.20	1,622,239,859.89		2,043,048,023.71	440,818,819.44
Financial liabilities held for trading	V.21	710,034.43		143,302.24	
Bills payables	V.22	1,007,745,986.84	1,789,714,553.23	1,026,619,858.93	834,184,045.06
Accounts payables	V.23	854,276,460.61	1,140,692,614.22	790,679,701.29	494,765,644.69
Receipts in advance					
Contract liabilities	V.24	226,185,055.51	22,295,228.15	167,796,768.82	91,125,189.51
Employee benefits payables	V.25	350,633,059.16	116,457,896.86	296,784,492.89	112,547,780.95
Tax and surcharge payables	V.26	255,516,487.73	3,950,445.85	160,385,251.99	34,312,525.72
Other payables	V.27	2,970,648,095.37	5,835,818,646.02	2,416,840,968.10	5,355,253,454.58
Of which: Interest payable					
Dividends payable		12,252,074.84	20,174.46	6,951,984.46	20,174.46
Held-for-sale liabilities					
Non-current liabilities due within one year	V.28	10,440,962.31	883,873.62	9,284,335.86	763,367.86
Other current liabilities	V.29	98,268,918.44	2,884,769.63	13,485,363.41	9,440,130.86
Total current liabilities		7,396,664,920.29	8,912,698,027.58	6,925,068,067.24	7,373,210,958.67
Non-current liabilities:					
Long-term loans	V.30	1,974,444,042.88	279,000,000.00	636,780,252.78	636,780,252.78
Notes payables					
Leasing liabilities	V.31	11,607,998.43	190,200.43	5,274,240.80	130,316.74
Long-term payables					
Long-term employee benefits payables					
Provisions					
Deferred gains	V.32	273,208,796.75	58,320,000.00	258,882,992.46	70,110,800.00
Deferred income tax liabilities	V.18	188,648,016.16	33,651,654.94	156,885,243.92	27,959,990.31
Other non-current liabilities	V.33	84,000,000.00		78,000,000.00	
Total non-current liabilities		2,531,908,854.22	371,161,855.37	1,135,822,729.96	734,981,359.83
Total liabilities		9,928,573,774.51	9,283,859,882.95	8,060,890,797.20	8,108,192,318.50
Share capital	V.34	935,552,687.00	935,552,687.00	937,865,121.00	937,865,121.00
Other equity instruments					
Of which: Preferred shares					
Perpetual bonds					
Capital reserve	V.35	1,627,478,362.60	1,770,043,318.85	1,629,356,574.34	1,785,950,573.90
Less: Treasury shares	V.36	55,936,280.81	55,936,280.81	71,209,491.00	71,209,491.00
Other consolidated earnings	V.37	186,488,658.73	135,184,804.56	46,548,997.70	95,689,368.89
Special reserve					
Surplus reserve	V.38	744,801,154.15	539,838,100.57	744,801,154.15	539,838,100.57
Undistributed profits	V.39	10,437,636,083.92	4,034,523,804.51	9,716,401,275.28	3,987,736,234.97
Total equity attributable to shareholders of the parent company		13,876,020,665.59	7,359,206,434.68	13,003,763,631.47	7,275,869,908.33
Minority interests		1,060,230,926.13		1,307,261,162.15	
Total shareholders' (or owners') equity		14,936,251,591.72	7,359,206,434.68	14,311,024,793.62	7,275,869,908.33
Total liabilities and shareholders' (or owners') equity		24,864,825,366.23	16,643,066,317.63	22,371,915,590.82	15,384,062,226.83

Chairman of the Board and Legal Representative:
Zhu Baoguo

Executive Director and President:
Tang Yanggang

Chief Financial Officer:
Si Yanxia

Head of Accounting Department:
Zhuang Jianying

CONSOLIDATED AND COMPANY INCOME STATEMENT

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Year		Amount for the Previous Year	
		Consolidated	Company	Consolidated	Company
I. Operating income	V.40	12,629,579,047.66	6,221,165,379.00	12,063,863,272.98	6,278,308,877.95
Less: Operating costs	V.40	4,461,283,076.09	4,250,767,569.61	4,253,087,484.45	4,262,867,079.53
Tax and surcharge	V.41	146,468,561.79	30,312,358.31	137,429,076.05	35,403,495.31
Selling expenses	V.42	3,887,392,091.49	1,383,929,186.35	3,883,874,503.06	1,368,704,917.93
Administrative expenses	V.43	656,857,474.21	264,557,448.23	664,181,161.91	264,979,486.58
R&D expenses	V.44	1,426,522,674.07	361,999,973.90	1,145,702,329.81	367,692,503.54
Finance expenses	V.45	-268,761,231.20	-232,845,986.82	-70,040,758.57	-71,270,539.63
Of which: Interest expenses		97,545,933.93	70,127,536.09	83,997,234.61	103,263,316.34
Interest income		315,137,487.68	299,966,248.50	162,189,969.03	173,173,456.46
Add: Other income	V.46	183,348,565.80	61,200,858.63	208,042,576.09	116,270,100.55
Investment income	V.47	44,111,595.36	1,042,324,074.39	89,624,998.41	1,011,372,026.17
("-" represents losses)					
Of which: Income from investments in associates and joint ventures		61,201,743.03	63,017,186.91	39,063,937.38	38,189,158.98
Derecognition of income from financial assets at amortized cost					
("-" represents losses)					
Gains from hedging net exposure					
("-" represents losses)					
Gains from changes in fair value	V.48	-75,274,031.55	2,176,731.89	-23,027,244.25	4,495,907.68
("-" represents losses)					
Credit impairment loss	V.49	-5,687,516.41	-5,853,030.70	-7,537,023.14	-910,244.57
("-" represents losses)					
Asset impairment loss	V.50	-116,620,058.62	-3,723,347.18	-56,777,500.66	-14,708,173.83
("-" represents losses)					
Gains from disposal of assets	V.51	860,661.89	-66,897.41	7,034,712.12	67,317.96
("-" represents losses)					
II. Operating profit		2,350,555,617.68	1,258,503,219.04	2,266,989,994.84	1,166,518,868.65
("-" represents losses)					
Add: Non-operating income	V.52	7,015,188.44	3,141.59	6,885,107.15	33,906.59
Less: Non-operating expenditure	V.53	27,020,195.92	4,773,911.78	28,186,272.24	19,307,149.64
III. Total profit		2,330,550,610.20	1,253,732,448.85	2,245,688,829.75	1,147,245,625.60
("-" represents total losses)					
Less: Income tax expenses	V.54	375,010,397.14	-8,408,623.09	293,587,660.82	-24,717,420.89
IV. Net profit		1,955,540,213.06	1,262,141,071.94	1,952,101,168.93	1,171,963,046.49
("-" represents net losses)					
(I) Classified by continuing operations:					
Of which: Net profit from continuing operations		1,955,540,213.06	1,262,141,071.94	1,952,101,168.93	1,171,963,046.49
("-" represents net losses)					
Net profit from discontinued operations					
("-" represents net losses)					
(II) Classified by attribution to ownership:					
Of which: Net profit attributable to shareholders of the parent company		1,909,391,664.63	1,262,141,071.94	1,775,683,251.01	1,171,963,046.49
("-" represents net losses)					
Profit and loss attributable to minority interests		46,148,548.43		176,417,917.92	
("-" represents net losses)					

CONSOLIDATED AND COMPANY INCOME STATEMENT

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Year		Amount for the Previous Year	
		Consolidated	Company	Consolidated	Company
V. Other comprehensive net income after taxation		129,307,507.59	39,495,435.67	-117,203,117.54	14,444,743.17
Other comprehensive net income after taxation attributable to shareholders of the parent company		139,939,661.03	39,495,435.67	-123,434,802.86	14,444,743.17
(I) Other comprehensive income not to be reclassified into profit or loss		67,359,646.57	38,967,717.15	-98,393,505.09	14,475,011.44
1. Changes in remeasurement of defined benefit plans					
2. Other comprehensive income not to be reclassified into profit or loss under equity method		4,723,927.54	4,723,927.54	14,820,196.44	14,820,196.44
3. Changes in fair value of other equity instrument investments		62,635,719.03	34,243,789.61	-113,213,701.53	-345,185.00
4. Changes in fair value of enterprise's own credit risk					
5. Others					
(II) Other comprehensive income to be reclassified into profit or loss		72,580,014.46	527,718.52	-25,041,297.77	-30,268.27
1. Other comprehensive income to be reclassified into profit or loss under equity method		527,718.52	527,718.52	-30,268.27	-30,268.27
2. Changes in fair value of other debt investments					
3. Financial assets reclassified into other comprehensive income					
4. Credit impairment provision for other debt investments					
5. Reserve for cash flow hedging (effective portion of profit or loss from cash flow hedging)					
6. Translation difference of financial statements denominated in foreign currency		72,052,295.94		-25,011,029.50	
7. Others					
Other comprehensive net income after taxation attributable to minority interests		-10,632,153.44		6,231,685.32	
VI. Total comprehensive income		2,084,847,720.65	1,301,636,507.61	1,834,898,051.39	1,186,407,789.66
Total comprehensive income attributable to shareholders of the parent company		2,049,331,325.66	1,301,636,507.61	1,652,248,448.15	1,186,407,789.66
Total comprehensive income attributable to minority interests		35,516,394.99		182,649,603.24	
VII. Earnings per share					
(I) Basic earnings per shares	V.55	2.04		1.90	
(II) Diluted earnings per share	V.55	2.04		1.90	

Chairman of the Board and Legal Representative:
Zhu Baoguo

Executive Director and President:
Tang Yanggang

Chief Financial Officer:
Si Yanxia

Head of Accounting Department:
Zhuang Jianying

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Year		Amount for the Previous Year	
		Consolidated	Company	Consolidated	Company
I. Cash flow from operating activities:					
Cash received from sale of goods and services rendered		12,878,492,107.98	6,697,185,654.53	12,518,435,597.15	6,878,621,180.26
Refund of taxes and levies		212,966,482.84	11,529,180.41	125,035,550.05	
Cash received relating to other operating activities	V.56	529,714,044.01	327,267,558.42	446,189,169.19	294,354,352.77
Subtotal of cash inflow from operating activities		13,621,172,634.83	7,035,982,393.36	13,089,660,316.39	7,172,975,533.03
Cash paid for purchase of goods and services rendered		3,423,069,738.04	3,250,333,503.91	3,133,904,122.93	4,566,238,044.94
Cash paid to and on behalf of employees		1,521,415,672.73	457,560,530.59	1,381,910,198.05	476,129,928.67
Payments for various taxes and levies		1,237,795,830.56	298,915,674.02	1,360,736,805.51	278,192,764.70
Cash paid relating to other operating activities	V.56	4,666,220,098.47	1,244,363,584.48	5,310,781,050.87	1,570,776,486.85
Subtotal of cash outflow from operating activities		10,848,501,339.80	5,251,173,293.00	11,187,332,177.36	6,891,337,225.16
Net cash flow from operating activities		2,772,671,295.03	1,784,809,100.36	1,902,328,139.03	281,638,307.87
II. Cash flow from investing activities:					
Cash received from disposal of investments				110,302,936.39	210,365,906.70
Cash received on investment income		130,685,851.99	1,044,543,087.48	98,381,922.55	1,111,050,061.15
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,958,510.89	51,650.00	9,087,580.53	3,097,339.07
Net cash received from disposal of subsidiaries and other operating units				3,311,220.53	
Cash received relating to other investing activities	V.56	6,202,000.00		187,700.00	
Subtotal of cash inflow from investing activities		139,846,362.88	1,044,594,737.48	221,271,360.00	1,324,513,306.92
Cash payments for acquisition of fixed assets, intangible assets and other long-term assets		940,146,142.83	18,139,183.69	1,309,101,642.09	47,626,639.35
Cash payments for investments		399,183,775.89	42,029,480.00	786,000,000.00	1,720,950,649.54
Net cash paid for acquisition of subsidiaries and other operating units					
Cash paid relating to other investing activities	V.56	30,386,230.39		3,070,040.41	1,163,800.00
Subtotal of cash outflow from investing activities		1,369,716,149.11	60,168,663.69	2,098,171,682.50	1,769,741,088.89
Net cash flow from investing activities		-1,229,869,786.23	984,426,073.79	-1,876,900,322.50	-445,227,781.97

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Year		Amount for the Previous Year	
		Consolidated	Company	Consolidated	Company
III. Cash flow from financing activities:					
Cash received from investments		42,245,924.92	42,245,924.92	798,267,306.73	202,557,825.73
Of which: Cash received by subsidiaries from investments of minority interests				595,709,481.00	
Cash received from borrowings		3,713,517,086.47	200,000,000.00	2,799,880,943.19	820,000,000.00
Cash received relating to other financing activities	V.56	347,182.11	248,872,664.15	1,269,151.85	778,960,622.14
Subtotal of cash inflow from financing activities		3,756,110,193.50	491,118,589.07	3,599,417,401.77	1,801,518,447.87
Cash paid on repayment of debts		2,804,797,777.63	997,500,000.00	2,033,581,286.53	903,400,000.00
Cash paid for distribution of dividends, profits or interests		1,591,069,562.43	1,233,013,673.88	1,501,347,886.26	1,228,636,101.56
Of which: Dividends and profits paid to minority interests by subsidiaries		291,139,909.62		243,976,580.03	
Cash paid relating to other financing activities	V.56	80,598,816.82	60,544,476.07	879,505,734.14	243,198,384.33
Subtotal of cash outflow from financing activities		4,476,466,156.88	2,291,058,149.95	4,414,434,906.93	2,375,234,485.89
Net cash flow from financing activities		-720,355,963.38	-1,799,939,560.88	-815,017,505.16	-573,716,038.02
IV. Effect of changes in foreign exchange rates on cash and cash equivalents		124,887,168.18	1,862,071.88	-37,150,333.33	1,052,826.26
V. Net increase in cash and cash equivalents		947,332,713.60	971,157,685.15	-826,740,021.96	-736,252,685.86
Add: Balance of cash and cash equivalents at the beginning of the period		9,125,309,968.12	7,557,686,224.00	9,952,049,990.08	8,293,938,909.86
VI. Cash and cash equivalents at the end of the period		10,072,642,681.72	8,528,843,909.15	9,125,309,968.12	7,557,686,224.00

Chairman of the Board and Legal Representative:
Zhu Baoguo

Executive Director and President:
Tang Yanggang

Chief Financial Officer:
Si Yanxia

Head of Accounting Department:
Zhuang Jianying

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Year										Total shareholders' equity	
	Shareholders' equity attributable to shareholders of the parent company											
	Other equity instruments			Other								
Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profit	Minority interests	
I. Balance as at the end of the previous year	337,865,121.00			1,629,356,574.34	71,209,491.00	46,548,997.70	744,801,154.15	9,716,401,275.28	1,307,261,162.15	14,311,024,793.62		14,311,024,793.62
Add: Adjustment for changes in accounting policies												
Correction of accounting errors in prior period												
Consolidation of enterprises under common control												
Others												
II. Balance at the beginning of the year	337,865,121.00			1,629,356,574.34	71,209,491.00	46,548,997.70	744,801,154.15	9,716,401,275.28	1,307,261,162.15	14,311,024,793.62		14,311,024,793.62
III. Increase/decrease during the year	-2,312,434.00			-1,878,211.74	-15,273,210.19	139,939,661.03		721,234,808.64	-247,030,236.02	625,226,798.10		625,226,798.10
(I) Total comprehensive income						139,939,661.03						
(II) Capital contributed and reduced by shareholders												
1. Ordinary shares contributed by shareholders	1,091,966.00			-1,775,141.20	-15,273,210.19							
2. Capital contributed by holders of other equity instruments												
3. Share-based equity-settled payments												
4. Others												
(III) Profit distribution												
1. Transfer of surplus reserve												
2. Provision to general risk reserve												
3. Distribution to shareholders												
4. Others												
(IV) Internal transfer within shareholder's equity												
1. Transfer of capital reserve to share capital												
2. Transfer of surplus reserve to share capital												
3. Compensate losses by surplus reserve												
4. Changes in defined benefit plans transferred to retained earnings												
5. Other comprehensive income transferred to retained earnings												
6. Others												
(V) Special reserve												
1. Extraction during the period												
2. Amount used during the period												
(VI) Others												
IV. Balance as at the end of the year	335,552,687.00			1,627,478,362.60	55,936,280.81	186,488,658.73	744,801,154.15	10,437,636,083.92	1,060,230,926.13	14,936,251,591.72		14,936,251,591.72

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Previous Year										Total shareholders' equity		
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less: comprehensive income	Other	Special reserve	Surplus reserve		General risk provision	Undistributed profit
I. Balance as at the end of the previous year	944,835,396.00				1,560,369,717.69	250,061,413.16	169,983,800.56	169,983,800.56	744,801,154.15	8,937,313,245.63	1,532,840,093.61	13,640,081,994.48	
Adtr. Adjustment for changes in accounting policies													
Correction of accounting errors in prior period													
Merger of enterprises under common control													
Others													
II. Balance as at the beginning of the year	944,835,396.00				1,560,369,717.69	250,061,413.16	169,983,800.56	169,983,800.56	744,801,154.15	8,937,313,245.63	1,532,840,093.61	13,640,081,994.48	
III. Increase/decrease during the year	-6,970,275.00				68,936,856.65	-178,851,922.16	-123,434,802.86	-123,434,802.86		779,088,029.65	-225,578,931.46	670,942,795.14	
(*) represents decrease													
(I) Total comprehensive income													
(II) Capital contributed and reduced by shareholders	-6,970,275.00												
1. Ordinary shares contributed by shareholders	5,752,133.00				196,039,577.31	238,083,561.27							
2. Capital contributed by holders of other equity instruments													
3. Share-based equity-settled payments					21,942,174.33								
4. Others	-12,722,408.00				-404,313,075.43	-417,055,483.43							
(III) Profit distribution													
1. Transfer of surplus reserve													
2. Provision to general risk reserve													
3. Distribution to shareholders													
4. Others													
(IV) Internal transfer within shareholders' equity													
1. Transfer of capital reserve to share capital													
2. Transfer of surplus reserve to share capital													
3. Compensate losses by surplus reserve													
4. Changes in defined benefit plans transferred to retained earnings													
5. Other comprehensive income transferred to retained earnings													
6. Others													
(V) Special reserve													
1. Extraction during the Period													
2. Amount used during the Period													
(VI) Others	937,865,121.00				1,620,336,574.34	71,209,491.00	46,548,997.70	46,548,997.70	744,801,154.15	9,716,401,275.28	1,307,261,162.15	14,311,024,795.62	
IV. Balance as at the end of the year	937,865,121.00				1,620,336,574.34	71,209,491.00	46,548,997.70	46,548,997.70	744,801,154.15	9,716,401,275.28	1,307,261,162.15	14,311,024,795.62	

Chairman of the Board and Legal Representative:
Zhu Baoguo

Executive Director and President:
Tang Yanggang

Chief Financial Officer:
Si Yanxia

Head of Accounting Department:
Zhuang Jianying

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Year							Total shareholders' equity			
	Share capital	Preferred shares	Perpetual bonds	Other equity instruments Others	Capital reserve	Less: Treasury shares	Other comprehensive income		Special reserve	Surplus reserve	Undistributed profit
I. Balance as at the end of the previous year	937,865,121.00				1,785,950,573.90	71,209,491.00	95,689,368.89		539,838,100.57	3,987,736,234.97	7,275,869,908.33
Add: Adjustment for changes in accounting policies											
Correction of accounting errors in prior period											
Others											
II. Balance at the beginning of the year	937,865,121.00				1,785,950,573.90	71,209,491.00	95,689,368.89		539,838,100.57	3,987,736,234.97	7,275,869,908.33
III. Increase/decrease during the year	-2,312,434.00				-15,907,255.05	-15,273,210.19	39,495,435.67		46,787,569.54		83,336,526.35
("—" represents decrease)											
(I) Total comprehensive income							39,495,435.67			1,262,141,071.94	1,301,636,507.61
(II) Capital contributed and reduced by shareholders											-2,061,270.43
1. Ordinary shares contributed by shareholders	1,091,966.00				32,690,717.94	55,936,280.81					-2,153,596.87
2. Capital contributed by holders of other equity instruments											
3. Share-based equity-settled payments											
4. Others	-3,404,400.00				20,193,482.86	-71,209,491.00					20,193,482.86
(III) Profit distribution											-101,156.42
1. Transfer of surplus reserve											
2. Provision to general risk reserve											
3. Distribution to shareholders											
4. Others											
(IV) Internal transfer within shareholders' equity											
1. Transfer of capital reserve to share capital											
2. Transfer of surplus reserve to share capital											
3. Compensate losses by surplus reserve											
4. Changes in defined benefit plans transferred to retained earnings											
5. Other comprehensive income transferred to retained earnings											
6. Others											
(V) Special reserve											
1. Extraction during the period											
2. Amount used during the period											
(VI) Others											
IV. Balance as at the end of the year	935,552,687.00				1,770,043,318.85	55,936,280.81	135,184,804.56		539,838,100.57	4,034,523,804.51	7,359,206,434.68
					-885,208.43						-885,208.43

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Previous Year					Total shareholders' equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	
I. Balance as at the end of the previous year	944,835,396.00				1,915,592,381.88	7,181,449,214.50
Add: Adjustment for changes in accounting policies						
Correction of accounting errors in prior period						
Others						
II. Balance at the beginning of the year	944,835,396.00				1,915,592,381.88	7,181,449,214.50
III. Increase/decrease during the year	-6,970,275.00				-129,642,007.98	37,736,311.48
(*) represents decrease						
(I) Total comprehensive income						
(II) Capital contributed and reduced by shareholders	-6,970,275.00				-194,988,748.19	1,186,407,789.66
1. Ordinary shares contributed by shareholders	5,752,133.00				196,099,577.31	-23,107,101.03
2. Capital contributed by holders of other equity instruments						-36,331,850.96
3. Share-based equity-settled payments					13,224,749.93	13,224,749.93
4. Others	-12,722,408.00				-404,313,075.43	-1,168,522,010.83
(III) Profit distribution						
1. Transfer of surplus reserve						
2. Provision to general risk reserve						
3. Distribution to shareholders						
4. Others						
(IV) Internal transfer within shareholder's equity						
1. Transfer of capital reserve to share capital						
2. Transfer of surplus reserve to share capital						
3. Compensate losses by surplus reserve						
4. Changes in defined benefit plans transferred to retained earnings						
5. Other comprehensive income transferred to retained earnings						
6. Others						
(V) Special reserve						
1. Extraction during the period						
2. Amount used during the period						
(VI) Others						
IV. Balance as at the end of the year	937,865,121.00				1,785,950,373.90	7,275,869,908.33
					65,346,740.21	65,346,740.21
					1,720,603,633.69	7,210,523,168.12

Chairman of the Board and Legal Representative:
Zhu Baoguo

Executive Director and President:
Tang Yanggang

Chief Financial Officer:
Si Yanxia

Head of Accounting Department:
Zhuang Jianying

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

I. BASIC INFORMATION OF THE COMPANY

1. Overview

In March 1992, Livzon Pharmaceutical Group Inc. (麗珠醫藥集團股份有限公司) (hereinafter referred to as the "Company") was transformed into a company limited by shares by directed placement, with seven companies namely, Macau Nam Yue (Group) Co., Ltd. (澳門南粵(集團)有限公司), Zhuhai Credit Cooperative Union (珠海市信用合作聯社), Guangdong Medicine Group Co., Ltd. (廣東省製藥工業公司), Zhuhai Medicine Corporation (珠海市醫藥總公司), Guangzhou Medicines & Health Products Imp. & Exp. Corp. (廣州醫藥保健品進出口公司), Zhuhai branch of Bank of China (中國銀行珠海市分行) and Zhuhai Guihua Employees Mutual Aid Association (珠海桂花職工互助會) as its promoters to make share contribution by converting their net assets in their original sino-foreign joint ventures with limited liability into consideration, and by directed placement from other domestic legal persons and internal staff pursuant to the approval documents 1992 No. 29 issued by Zhuhai Economic System Reform Commission (珠海市經濟體制改革委員會) and 1992 No. 45 jointly issued by Joint Examination Group for Pilot Joint Stock Enterprise in Guangdong Province (廣東省企業股份制試點聯審小組) and Guangdong Economic System Reform Committee (廣東省經濟體制改革委員會).

In 1993, pursuant to Yue Zheng Jian Fa Zi [1993] No. 001 document (粵證監發字[1993] 001 號文) issued by Guangdong Securities Regulatory Commission (廣東省證券監督管理委員會), Shen Ren Yin Fu Zi [1993] No. 239 document (深人銀覆字[1993]第 239 號文) issued by Shenzhen Special Economic Zone branch of the People's Bank of China (中國人民銀行深圳經濟特區分行) and Zheng Jian Fa Shen Zi [1993] No. 19 document (證監發審字[1993] 19 號文) issued by China Securities Regulatory Commission, the Company was listed on the Shenzhen Stock Exchange.

In 1998, the promoters of the Company, namely Zhuhai Credit Cooperative Union (珠海市信用合作聯社), Guangdong Medicine Group Co., Ltd. (廣東省製藥工業公司), Zhuhai Guihua Employees Mutual Aid Association (珠海桂花職工互助會) and Zhuhai branch of Bank of China (中國銀行珠海市分行) entered into an equity transfer agreement with China Everbright (Group) Corporation (中國光大(集團)總公司), respectively, and transferred all their shares to China Everbright (Group) Corporation (中國光大(集團)總公司). Upon completion of the transfer, China Everbright (Group) Corporation (中國光大(集團)總公司) held 38,917,518 domestic legal person shares of the Company. Macau Nam Yue (Group) Co., Ltd. (澳門南粵(集團)有限公司), the foreign promoter of the Company, entered into an equity transfer agreement with China Everbright Pharmaceutical Co., Ltd. (中國光大醫藥有限公司), and transferred all of the 18,893,448 foreign-invested legal person shares held by it to China Everbright Pharmaceutical Co., Ltd. (中國光大醫藥有限公司).

On 12 April 2002, China Everbright (Group) Corporation (中國光大(集團)總公司) entered into an equity custody agreement with Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司), and assigned the 38,917,518 domestic legal person shares of the Company held by it in the custody of Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司). On 21 December 2004, Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司) accepted the transfer of 38,917,518 legal person shares of the Company held by China Everbright (Group) Corporation (中國光大(集團)總公司). As at 31 December 2004, China Everbright (Group) Corporation (中國光大(集團)總公司) did not hold any share in the Company, and Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司) directly held 38,917,518 legal person shares of the Company, representing 12.72% of the total share capital of the Company.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

I. BASIC INFORMATION OF THE COMPANY *(continued)*

1. Overview *(continued)*

On 4 February 2005, Jincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司) (hereinafter referred to as "Jincare Group") entered into an equity transfer agreement and an equity pledge agreement with Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司), pursuant to which, Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司) directly transferred and pledged the 38,917,518 domestic legal person shares of the Company (representing 12.72% of the total share capital in the Company) to Jincare Group. On 3 August 2006, the procedures for the transfer of the 38,917,518 domestic legal person shares to Jincare Group were completed.

As at 31 December 2012, Jincare Group and its subsidiaries held a total of 140,122,590 shares of the Company through transfer agreements and direct purchase from the secondary market, representing 47.3832% of the total share capital of the Company, therefore it became the largest shareholder of the Company and had de facto control in the Company. Of which, 6,059,428 legal person shares held in the name of Guangzhou Begol Trading Holdings Limited (廣州市保科力貿易公司) did not complete the procedures for the transfer to Jincare Group.

In the 2008 First Extraordinary General Meeting, the Company considered and approved "the Resolution on Repurchase of Domestically Listed Foreign Shares (B Shares) of the Company". As at 2 December 2009 (the expiry date of implementing the repurchase), the Company accumulatively repurchased 10,313,630 B Shares. On 4 December 2009, the Company completed the cancellation of the repurchased shares with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司深圳分公司). The total share capital of the Company was reduced by 10,313,630 shares, and the registered capital of the Company was reduced from RMB306,035,482 to RMB295,721,852. The Company completed the changes of the industrial and commercial registration on 20 April 2010.

Pursuant to "Restricted Shares Incentive Scheme of Livzon Pharmaceutical Group Inc. (Revised Draft)" and its summary considered and approved by the 2015 First Extraordinary General Meeting of the Company and the resolution of the 8th Meeting of the 8th Session of the Board on 27 March 2015, 458 restricted shares incentive participants exercised the options and the actual number of exercised options was 8,660,400. Capital verification for this exercise was completed on 27 March 2015 and the approval registration was completed by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. The registered capital following the exercise changed to RMB304,382,252. This capital increase was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2015] No. 40030004) issued by Ruihua Certified Public Accountants. The Company completed the changes of the industrial and commercial registration on 22 May 2015.

Pursuant to the resolutions of the 2014 Annual General Meeting, the 2015 Second Class Meeting of A Shareholders and the 2015 Second Class Meeting of H Shareholders, it was agreed that the Company issued 91,314,675 bonus shares of RMB1 each in the proportion of 3 shares for every 10 shares to all shareholders by way of conversion of capital reserve based on the total share capital of the Company of 304,382,252 shares. Upon the bonus issue, the registered capital of the Company changed to RMB395,696,927. This capital increase was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2015] No. 40030017) issued by Ruihua Certified Public Accountants. The Company completed the changes of the industrial and commercial registration on 21 January 2016 with the unified social credit code 914404006174883094.

Pursuant to "the Resolution on Repurchase and Cancellation of Restricted Shares Granted But Not Yet Unlocked Held by Incentive Participants Without Satisfying Incentive Conditions" considered and approved by the 16th Meeting of the 8th Session of the Board on 27 October 2015, 93,080 shares were repurchased. After the repurchase, the Company's share capital changed to RMB395,603,847. This capital reduction was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2015] No. 40030020) issued by Ruihua Certified Public Accountants.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

I. BASIC INFORMATION OF THE COMPANY *(continued)*

1. Overview *(continued)*

Pursuant to “the Resolution on Granting the Reserved Restricted Shares to Incentive Participants” considered and approved by the 18th Meeting of the 8th Session of the Board on 12 November 2015, 177 restricted shares incentive participants exercised the options and the actual number of exercised options was 1,285,700. Capital verification of this exercise was completed on 18 December 2015 and the approval registration was completed by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. The Company’s share capital following the exercise changed to RMB396,889,547. This capital increase was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2015] No. 40030023) issued by Ruihua Certified Public Accountants.

Pursuant to “the Resolution on Repurchase and Cancellation of Restricted Shares Granted But Not Yet Unlocked Held by Incentive Participants Without Satisfying Incentive Conditions” considered and approved by the 23rd Meeting of the 8th Session of the Board on 28 March 2016 and the 26th Meeting of the 8th Session of the Board on 16 May 2016, 257,624 shares were repurchased. After the repurchase, the Company’s share capital changed to RMB396,631,923. This capital reduction was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2016] No. 40030011) issued by Ruihua Certified Public Accountants.

Pursuant to the resolutions of the 17th Meeting of the 8th Session of the Board on 2 November 2015, the 2015 Third Extraordinary General Meeting on 21 December 2015, the 21st Meeting of the 8th Session of the Board on 8 March 2016, the 2016 Second Extraordinary General Meeting on 25 April 2016, as approved by China Securities Regulatory Commission (中國證券監督管理委員會) with “Approval in Relation to the Non-public Issuance of Shares by Livzon Pharmaceutical Group Inc.” (Zheng Jian Xu Ke [2016] No. 1524) on 1 August 2016, 29,098,203 ordinary shares denominated in Renminbi (A Shares) of the Company were issued through non-public issuance with a nominal value of RMB1.00 each. After the issuance, the Company’s share capital changed to RMB425,730,126. This capital increase was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2016] No. 40030019) issued by Ruihua Certified Public Accountants.

Pursuant to “the Resolution on Repurchase and Cancellation of Restricted Shares Granted But Not Yet Unlocked Held by Incentive Participants Without Satisfying Incentive Conditions” considered and approved by the 32nd Meeting of the 8th Session of the Board on 30 November 2016 and the 36th Meeting of the 8th Session of the Board on 28 March 2017, 167,534 shares were repurchased. After the repurchase, the Company’s share capital changed to RMB425,562,592. This capital reduction was validated and confirmed by the Capital Verification Reports (Ruihua Yan Zi [2017] No. 40030001 and [2017] No. 40030007) issued by Ruihua Certified Public Accountants.

Pursuant to the resolutions of the 2016 Annual General Meeting, the 2017 First Class Meeting of A Shareholders and the 2017 First Class Meeting of H Shareholders and the revised Articles of Association, it was agreed that the Company issued 127,668,777 bonus shares with a nominal value of RMB1 each in the proportion of 3 shares for every 10 shares to all shareholders by way of conversion of capital reserve based on the total share capital of the Company of 425,562,592 shares. Upon completion of the bonus issue, the registered capital of the Company changed to RMB553,231,369. This capital increase was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2017] No. 40030010) issued by Ruihua Certified Public Accountants.

Pursuant to “the Resolution on Repurchase and Cancellation of Part of Restricted Shares” and “the Resolution on Repurchase and Cancellation of Restricted Shares Granted But Not Yet Unlocked Held by Incentive Participants Without Satisfying Incentive Conditions” considered and approved at the 6th Meeting of 9th Session of the Board on 15 December 2017 and the 12th Meeting of 9th Session of the Board on 29 March 2018, respectively, 115,799 shares were repurchased. After the repurchase, the share capital of the Company changed to RMB553,115,570. This capital reduction was validated and confirmed by the Capital Verification Reports (Ruihua Yan Zi [2018] No. 40030006 and [2018] No. 40030008) issued by Ruihua Certified Public Accountants.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

I. BASIC INFORMATION OF THE COMPANY *(continued)*

1. Overview *(continued)*

Pursuant to the resolutions of the 2017 Annual General Meeting, the 2018 Second Class Meeting of A Shareholders and the 2018 Second Class Meeting of H Shareholders and the revised Articles of Association, it was agreed that the Company issued 165,934,670 bonus shares with a nominal value of RMB1 each in the proportion of 3 shares for every 10 shares to all shareholders by way of conversion of capital reserve based on the total share capital of the Company of 553,115,570 shares. Upon completion of the bonus issue, the registered capital of the Company changed to RMB719,050,240. This capital increase was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2018] No. 40030013) issued by Ruihua Certified Public Accountants.

Pursuant to “the Resolution on Repurchase and Cancellation of Part of Restricted Shares” considered and approved by the 22nd Meeting of the 9th Session of the Board on 18 December 2018, 2,028 shares were repurchased at a price of RMB12.43 per share, and then cancelled. After the repurchase and cancellation, the Company’s share capital has changed to RMB719,048,212.00. This capital decrease was validated by the Capital Verification Report (Ruihua Yan Zi [2019] No. 40020003) issued by Ruihua Certified Public Accountants (LLP).

Pursuant to the resolutions of the 2018 Annual General Meeting, the 2019 Second Class Meeting of A Shareholders and the 2019 Second Class Meeting of H Shareholders and the revised Articles of Association, it was agreed that the Company issued 215,714,463 bonus shares with a nominal value of RMB1 each in the proportion of 3 shares for every 10 shares to all shareholders by way of conversion of capital reserve based on the total share capital of the Company of 719,048,212 shares. Upon completion of the bonus issue, the registered capital of the Company changed to RMB934,762,675. This capital increase was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2019] No. 40020008) issued by Ruihua Certified Public Accountants.

Pursuant to the “Resolution on 2018 Share Options Incentive Scheme (Revised Draft) and its summary” considered and approved by the 2018 Third Extraordinary General Meeting, the 2018 Third Class Meeting of A Shareholders and the 2018 Third Class Meeting of H Shareholders and the “Resolution on the Related Matters of the Reserved Grant of 2018 Share Options Incentive Scheme” considered and approved at the 31st Meeting of the 9th Session of the Board, the number of options exercised was 16,916,820 as at 31 December 2022, the total number of repurchased shares cancelled was 16,126,808 as at 31 December 2022, and the total share capital of the Company was changed to 935,552,687 shares.

The Company is engaged in the pharmaceutical manufacturing industry.

The nature of business and principal activities of the Company and subsidiaries: primarily engaged in the R&D, production and sale of pharmaceutical products, which covered drug preparation products, active pharmaceutical ingredients (“APIs”) and intermediates as well as diagnostic reagents and equipment.

During the Reporting Period, there was no change in the principal activities of the Company.

The financial statements and notes to the financial statements of the Company were approved at the 46th meeting of the 10th Session of the Board on 30 March 2023.

2. Scope of consolidated financial statements

Please refer to Note VII. “Equity in other entities” for names of subsidiaries included in the consolidation in 2022. One more subsidiary was included in the consolidation during the Period when compared with the previous year. Please refer to Note VI. “Changes in the scope of consolidation” for details.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

II. BASIS OF PREPARATION FOR THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the MOF and its application guidance, interpretations and the other related provisions (collectively, the "Accounting Standards for Business Enterprises"). In addition, the Company also discloses relevant financial information in accordance with the Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (2014 Revision) issued by the CSRC.

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

The Company's accounting is measured on an accrual basis. Except for certain financial instruments, these financial statements are generally measured at historical cost. In case of asset impairment, the Company shall make provisions for impairment in accordance with applicable provisions.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Company determines capitalization condition of R&D expenses and revenue recognition policies on the basis of its production and operation characteristics. Details of accounting policies are set out in Note III.21 and Note III.28.

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

The financial statements comply with the Accounting Standards for Business Enterprises, which gave a true and complete view of the consolidated and the Company's financial position as at 31 December 2022, and the consolidated and the Company's operating results and the consolidated and the Company's cash flow and other relevant information for 2022.

2. Accounting period

The accounting period of the Company is classified into an accounting year and an interim accounting period. An interim accounting period refers to a reporting period shorter than an accounting year. The accounting year of the Company is from 1 January to 31 December in each calendar year.

3. Business cycle

Business cycle of the Company consists of 12 months, which is the classification standard for the liquidity of assets and liabilities.

4. Functional currency

The Company and its domestic subsidiaries use RMB as their functional currency according to the primary economic environment in which they operate. The functional currency of the Company and its domestic subsidiaries is Renminbi ("RMB"). Overseas subsidiaries of the Company usually recognise HK dollar, Macau dollar and US dollar as their functional currencies according to the primary economic environment in which these subsidiaries operate. The Company prepares its financial statements in RMB.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

5. Accounting treatment for business combinations

Business combination refers to a transaction or an event under which two or more separate enterprises combine into one reporting body. Business combinations are classified into business combinations involving enterprises under common control and business combinations involving enterprises not under common control.

(1) Business combinations involving enterprises under common control

For the business combination involving entities under common control, the assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party as at the combination date. The difference between the carrying amount of the consideration paid for the combination and the net assets acquired is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings.

Business combination involving enterprises under common control and achieved in a number of transactions

In the separate financial statements, the initial investment cost will be recognised at the carrying amount of the Company's share in the combined party's net assets in the consolidated financial statements of the ultimate controlling party on the date of combination based on the shareholding proportion on the date of combination. The difference between the initial investment cost and the sum of the carrying amount of the investment held and the carrying amount of consideration paid for the combination at the combination date is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings.

In the consolidated financial statements, the assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party as at the combination date. The difference between sum of the carrying amount of the investment held and the carrying amount of the consideration paid for the combination and the carrying amount of the net assets acquired is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. For long-term equity investment held before the control over the combined party is obtained, profit or loss, other comprehensive income and other changes to equity interest attributable to the owners recognised from the later of the acquisition of the original equity interest and the date when the combining party and the combined party are placed under common control until the date of combination shall be offset against retained profit at the beginning of the period of the comparative financial statements or profit or loss of the period respectively.

(2) Business combinations involving enterprises not under common control

For the business combinations involving enterprises not under common control, the combination cost shall be the fair value of the assets transferred, liabilities incurred or assumed, and equity securities issued by the acquirer for acquisition of control in the acquiree on the acquisition date. The assets, liabilities and contingent liabilities acquired or assumed on the date of acquisition are recognised at fair value.

Where the combination cost exceeds the fair value of the acquiree's identifiable net assets in the business combination, the difference is recognised as goodwill and is subsequently measured at cost less accumulated impairment provisions. Where the combination cost is less than the fair value of the acquiree's identifiable net assets in the business combination, the difference shall be included in profit or loss for the period after review.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

5. Accounting treatment for business combinations (continued)

(2) Business combinations involving enterprises not under common control (continued)

Business combination involving enterprises not under common control and achieved in a number of transactions

In the separate financial statements, the initial cost of the investment is the sum of the carrying amount of the acquiree's equity investment held before the acquisition date and the additional investment cost on the acquisition date. In respect of the equity investment held prior to the acquisition date, other comprehensive income will not be recognised using equity method on the acquisition date, and such investment will be accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the investee at the time of disposal. Shareholder's equity recognised due to the changes of other shareholder's equity other than the changes of net loss and profit, other comprehensive income and profit distribution shall be transferred to profit or loss for current period when disposed. If the equity investment held prior to the acquisition date is measured at fair value, the cumulative changes in fair value recognised in other comprehensive income shall be transferred to retained earnings when accounted for using cost method.

In the consolidated financial statements, the combination cost is the sum of consideration paid on the acquisition date and fair value of the acquiree's equity held prior to the acquisition date. The equity of the acquirees held before the acquisition date is re-measured at the fair value of the equity on the acquisition date and the differences between the fair value and the carrying amount are recognised in the investment income for the current period; in respect of any other comprehensive income attributable to the equity interest in the acquiree held prior to the acquisition date and any changes of other shareholder's equity shall be transferred to income for current period on the acquisition date, except for the other comprehensive income incurred due to the changes arising from remeasuring net assets or net liabilities of defined benefit plan attributable to the acquiree.

(3) Transaction fees attribution during the combination

The intermediary and other relevant administrative expenses such as audit, legal and valuation advisory for business combinations are recognised in profit or loss for current period when incurred. Transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amounts of equity or debt securities.

6. Preparation of consolidated financial statements

(1) Scope of consolidation

The scope of consolidated financial statements is determined based on control. Control means the Company has exposures or rights to variable returns from its involvement with the investee and the ability to affect those returns through power over such investee. Subsidiaries are the entities controlled by the Company, including enterprises, a divisible part of investees and structured entities.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

6. Preparation of consolidated financial statements (continued)

(2) Method for preparation of the consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the Company in accordance with other relevant information. In preparing consolidation financial statements, the Company and its subsidiaries are required to apply consistent accounting policy and accounting period, intra-group transactions and balances shall be offset.

A subsidiary or a business acquired through a business combination involving entities under common control in the reporting period shall be included in the scope of the consolidation of the Company from the date when it is under control of the ultimate controlling party, and then its operating results and cash flows will be included in the consolidated income statement and the consolidated cash flow statement, respectively.

For a subsidiary or a business acquired through a business combination involving entities not under common control in the reporting period, its income, expenses and profits are included in the consolidated income statement, and its cash flows are included in the consolidated cash flow statement from the acquisition date to the end of the reporting date.

The shareholders' equity of the subsidiaries that are not attributable to the Company shall be presented under shareholders' equity in the consolidated balance sheet as minority interests. The portion of net profit or loss of subsidiaries for the period attributable to minority interest is presented in the consolidated income statement under the "profit or loss of minority interest". When the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount shall be allocated against minority interest.

(3) Purchase of minority interests in subsidiaries

The difference between the long-term equity investments costs acquired by the purchase of minority interests and the share of the net assets that the subsidiaries have to continue to calculate from the date of purchase or the date of consolidation in proportion to the new shareholding ratio, and the difference between the disposal of some equity investment without losing control over its subsidiary and the disposal of the long-term equity investment corresponding to the share of the net assets of the subsidiaries from the date of purchase or the date of consolidation, shall be adjusted to the capital reserve (or share premium) in the consolidated balance sheet, if the capital reserve is not sufficient, any excess will be adjusted to retained earnings.

(4) Treatment of loss of control of subsidiaries

Where the Company loses its control over the original subsidiary due to the disposal of some equity investment or other reasons, the remaining equity is re-measured at its fair value on the date when the Company loses its control. The difference between the sum of the consideration acquired due to the disposal of the equity and the fair value of the remaining equity, and the Company's share in the sum of carrying value of net assets of the original subsidiary and goodwill calculated on an on-going basis from the acquisition date based on the original shareholding proportion is recognised in the investment income for the current period when the control is lost.

Other comprehensive income in relation to the original subsidiary's equity investment are transferred to profit or loss for the current period when control ceases, except for those arising from re-measuring net assets or net liabilities of defined benefit plan by the investee.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

6. Preparation of consolidated financial statements (continued)

(5) Treatment of disposal through several transactions until the loss of control of subsidiaries

Where the Company disposes of the equity interests in the subsidiary through several transactions until it loses control, and the transaction terms, conditions and economic effects satisfy one or several of the following circumstances, such several transactions shall be deemed as a basket of transactions in accounting treatment:

- ① Such transactions are entered into simultaneously or upon the consideration of the mutual impacts;
- ② No complete commercial result will be realised without such transactions as a whole;
- ③ The occurrence of one transaction depends on the occurrence of at least another transaction;
- ④ The result of an individual transaction is not economical, but it would be economical after taken into account of other transactions in the series.

In the separate financial statements, where the Company disposes of the equity investment in the subsidiary through several transactions until the loss of control, and such transactions are not regarded as “a basket of transactions”, the carrying amount of the long-term equity investment involving each disposal will be carried forward, with the difference between the disposal price and the carrying amount of the long-term equity investment involving the disposal being accounted into the investment incomes for the current period; where the transactions constitute “a basket of transactions”, the difference between the consideration of each disposal and the carrying amount of the long-term equity investment involving the disposal before the loss of the control, is recognised as the other comprehensive income and will be carried forward to the profit or loss for the current period when the control is lost.

In the consolidated financial statements, where the Company disposes of the equity investment in the subsidiary through several transactions until the loss of control, the measurement of the remaining equity interest and the accounting treatment of the losses and gains of the disposal will be made with reference to the “Treatment of loss of control of subsidiaries” as described above. For the difference between the consideration of each disposal before the loss of the control and the carrying amount of the Company’s share in the net assets involving the disposal of such subsidiary calculated on an on-going basis from the acquisition date, the treatment will be made as follows:

- ① In case the transactions are “a basket of transactions”, such difference is recognised as the other comprehensive income and will be carried forward to the profit or loss for the current period when the control is lost.
- ② In case the transactions are not “a basket of transactions”, such difference is accounted into the capital reserve (or share premium) as equity, and shall not be carried forward to the profit or loss for the current period when the control is lost.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

7. Classification of joint arrangement and accounting treatment for joint operation

A joint arrangement is an arrangement jointly controlled by two or more parties. The Company's joint arrangement is classified into the joint operation and the joint venture.

(1) Joint operation

A joint operation is a joint arrangement whereby the Company have rights and obligations to the relevant assets and liabilities.

The Company recognises the following items in relation to its interest in a joint operation, and makes corresponding accounting treatment in accordance with relevant accounting standards:

- A. The solely-held assets, and the share of any assets held jointly;
- B. The solely-assumed liabilities, and its share of any liabilities incurred jointly;
- C. Its revenue from the sale of its share of the output arising from the joint operation;
- D. Its share of the revenue from the sale of the output by the joint operation;
- E. The solely-incurred expenses, including its share of any expenses incurred jointly.

(2) Joint ventures

A joint venture is a joint arrangement whereby the Company only entitled to the net assets of the arrangement.

The Company's investment in joint ventures is accounted for using the equity method according to the rules of the long-term equity investment.

8. Standards for determination of cash and cash equivalents

Cash and cash equivalents of the Company include cash on hand, bank deposit readily available for payment and those investments held by the Company that are short-term (normally due in three months since the acquisition date), highly liquid, readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

9. Foreign currency transactions and translation of financial statements in foreign currency

(1) Foreign currency transactions

Foreign currency transactions performed by the Company are translated to the functional currency at the spot exchange rates on the date of the transactions upon initial recognition, which is normally the median exchange rate quoted by the People's Bank of China on that day and the same below; provided that the foreign currency exchange business or the transactions involving foreign currency exchange incurred by the Company are translated to the functional currency at the prevailing exchange rates.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

9. Foreign currency transactions and translation of financial statements in foreign currency *(continued)*

(1) Foreign currency transactions *(continued)*

At the balance sheet date, monetary items denominated in foreign currencies are translated at the spot exchange rate on the balance sheet date. Exchange differences arising from the differences between the spot exchange rate prevailing at the balance sheet date and those spot rates used on initial recognition or at the previous balance sheet date are recognised in profit or loss for the current period; non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rate on the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rate on the date the fair value is determined; the resulting exchange differences between the amounts in functional currency upon translation and in original functional currency are recognised in profit or loss or other comprehensive income for the current period based on the nature of non-monetary items.

(2) Translation of financial statements in foreign currency

At the balance sheet date, when translating the foreign currency financial statements of overseas subsidiaries, the assets and liabilities in the balance sheet are translated at the spot exchange rate at the balance sheet date; all items except for "undistributed profits" of the shareholders' equity are translated at the spot exchange rate on the transaction date.

The revenue and expenses in the income statement are translated at the spot exchange rate on the transaction date.

All items in the statement of cash flows are translated at the spot exchange rate on the transaction date. The effect of changes in foreign exchange rates on cash is regarded as a reconciling item and separately presented as "Effect of changes in foreign exchange rates on cash and cash equivalents" in the cash flow statement.

The exchange differences arising from translation of the financial statements are presented as the "other comprehensive income" in the shareholders' equity of the balance sheet.

When the Company disposes of the overseas operation and loses control, the differences arising from the translation of the financial statements in foreign currency that have been presented under the shareholders' equity in the balance sheet and involving such overseas operation are carried forward to the profit or loss for the current period in whole or in the proportion of the disposal of the overseas operation.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments

Financial instruments are contracts creating financial assets of a party and financial liabilities or equity instruments of other parties.

(1) Recognition and derecognition of financial instruments

A financial asset or financial liability is recognised when the Company becomes one of the parties under a financial instrument contract.

The financial assets will be derecognised if any of the following conditions is satisfied:

- ① The contractual right to receive the cash flow of the financial assets is terminated;
- ② The financial asset has been transferred and the transferred financial asset satisfies the following conditions of de-recognition.

If the current obligation of a financial liability (or a part thereof) has been discharged, the financial liability (or that part of the financial liability) will be derecognised. When the Company (as the debtor) and the lender have signed an agreement which uses a new financial liability to replace the existing financial liability, and the contract terms of the new financial liability are substantially different with the original financial liability, the original financial liability shall be derecognised, and the new financial liability shall be recognised at the same time.

The regular transactions of the financial assets are recognised and derecognised at the transaction date.

(2) Classification and measurement of financial assets

The Company classifies financial assets into three categories: financial assets at amortised cost; financial assets at fair value through other comprehensive income; and financial assets at fair value through profit or loss based on the business model for managing financial assets and their contractual cash flow characteristics upon initial recognition.

① Financial assets at amortised cost

The Company shall classify financial assets that meet the following conditions and are not designated as financial assets at fair value through profit or loss as financial assets measured at amortized cost:

- A. The Company's business model for managing the financial assets is to collect contractual cash flow;
- B. The terms of the financial asset contract stipulate that the cash flow generated on a specific date is only the payment for principal and interest accrued on the outstanding principal.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets which are measured at amortised cost and not part of any hedging relationship are included in the profit and loss of the current period upon derecognition, amortization using the effective interest method, or impairments recognition.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments (continued)

(2) Classification and measurement of financial assets (continued)

② Financial assets at fair value through other comprehensive income

The Company shall classify financial assets that meet the following conditions and are not designated as financial assets at fair value through profit or loss as financial assets at fair value through other comprehensive income:

- A. The Company's business model for managing the financial assets is both to collect contractual cash flows and to sell the financial assets;
- B. The terms of the financial asset contract stipulate that the cash flow generated on a specific date is only the payment for principal and interest accrued on the outstanding principal.

After initial recognition, these financial assets are subsequently measured at fair value. Interest, impairment losses or gains and exchange losses and gains calculated using the effective interest method are recognised in profit or loss for the current period, while other gains or losses are recognised in other comprehensive income. The cumulative profit or loss previously included in other comprehensive income will be transferred to the profit or loss for the current period upon derecognition.

③ Financial assets at fair value through profit or loss

In addition to the above financial assets which are measured at amortized cost or at fair value through other comprehensive income, the Company classifies all other financial assets as financial assets at fair value through profit or loss. When initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company irrevocably designates some financial assets that should have been measured at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss.

After initial recognition, these financial assets are subsequently measured at fair value, and the profits or losses (including interest and dividend income) generated from which are recognised in profit or loss for the current period, unless the financial assets are part of the hedging relationship.

However, with respect to non-trading equity instrument investments, the Company may irrevocably designate them as financial assets measured at fair value through other comprehensive income at initial recognition. The designation is made on the basis of individual investment, and the relevant investment conforms to the definition of equity instruments from the issuer's point of view.

After initial recognition, financial assets are subsequently measured at fair value. Dividend income that meets the requirements is recognised in profit and loss, and other gains or losses and changes in fair value are recognised in other comprehensive income. When derecognised, the accumulated gains or losses previously recognised in other comprehensive income are transferred from other comprehensive income to retained earnings.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments (continued)

(2) Classification and measurement of financial assets (continued)

③ Financial assets at fair value through profit or loss (continued)

The business model of managing financial assets refers to how the Company manages financial assets to generate cash flow. The business model decides whether the source of cash flow of financial assets managed by the Company is to collect contractual cash flow, sell financial assets or both of them. Based on objective facts and the specific business objectives of financial assets management decided by key management, the Company determines the business model of financial assets management.

The Company evaluates the characteristics of the contractual cash flow of financial assets to determine whether the contractual cash flow generated by the relevant financial assets on a specific date is only to pay principal and interest based on the amount of unpaid principal. Among them, principal refers to the fair value of financial assets at the time of initial recognition; interest includes the consideration of time value of money, credit risk related to the amount of unpaid principal in a specific period, and other basic borrowing risks, costs and profits. In addition, the Company evaluates the terms of the contracts that may lead to changes in the time distribution or amount of contractual cash flow of financial assets to determine whether they meet the requirements of the above contractual cash flow characteristics.

Only when the Company changes its business model of managing financial assets, all the financial assets affected shall be reclassified on the first day of the first reporting period after the business model changes, otherwise, financial assets shall not be reclassified after initial recognition.

Financial assets are measured at fair value on initial recognition. The relevant transaction cost of financial assets at fair value through profit or loss is directly recognised in profit or loss for the current period, and that of other types of financial assets is included in the initially recognised amount. Accounts receivables arising from sales of goods or rendering services that do not contain or consider the significant financing components are initially recognised based on the amount of the consideration expected to be entitled by the Company.

(3) Classification and measurement of financial liabilities

On initial recognition, the Company's financial liabilities are classified into financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. For financial liabilities not classified as financial liabilities at fair value through profit or loss, the relevant transaction costs are included in the initially recognised amount.

① Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss upon initial recognition. Such financial liabilities are subsequently measured at fair value, all gains and losses arising from changes in fair value and dividend and interest expenses relating to the financial liabilities are recognised in profit or loss for the current period.

② Financial liabilities at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method; gains and losses arising from derecognition or amortisation are recognised in profit or loss for the current period.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments (continued)

(3) Classification and measurement of financial liabilities (continued)

③ Distinction between financial liabilities and equity instruments

Financial liability refers to a liability that meets one of following criteria:

- A. Contractual obligation to deliver cash or other financial assets to another entity.
- B. Under any potential adverse condition, contractual obligation to exchange financial assets or financial liabilities with other parties.
- C. A non-derivative contract that shall or may be settled in the entity's own equity instruments for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments.
- D. A derivative contract that shall or may be settled in the entity's own equity instruments, except for derivative instrument contracts that exchange a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the Company cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, the contractual obligation meets the definition of financial liability.

If a financial instrument shall or may be settled by the Company's own equity instrument, the Company's own equity instrument used for settling such instrument shall be considered as a substitute of cash or other financial assets, or as residual equity in the issuer's assets that the instrument holder enjoys after deducting all the liabilities. If the former, the instrument is the financial liability of the Company; if the latter, the instrument is the equity instrument of the Company.

(4) Derivative financial instruments and embedded derivatives

The Company's derivative financial instruments include forward foreign exchange contracts and are initially measured at fair value on the date of the derivative contract signed and are subsequently measured at fair value. A derivative with positive fair value shall be recognised as an asset, and a derivative with negative fair value shall be recognised as a liability. Any profit or loss arising from changes of fair value and not compliance with the accounting provision of hedging shall be recognised as profit or loss for current period.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments (continued)

(4) Derivative financial instruments and embedded derivatives (continued)

For the hybrid instrument which includes embedded derivatives, where the host contract is a financial asset, requirements in relation to the classification of financial assets shall apply to the hybrid instrument as a whole. Where the host contract is not a financial asset, and the hybrid instrument is not measured at fair value through the profit and loss for accounting purposes, there is no close relation between the embedded derivatives and the host contract in terms of economic features and risks, and if the instrument is subject to the same conditions as the embedded derivatives, exists independently and meets the definition of derivatives, the embedded derivatives shall be separated from the hybrid instrument and treated as separate derivative financial instruments. If it is unable to separately measure the embedded derivatives upon acquisition or on the subsequent balance sheet date, the hybrid instrument shall be entirely designated as a financial asset or financial liabilities at fair value through the profit and loss.

(5) Fair value of the financial instrument

The methods for determining the fair value of the financial assets or financial liabilities are set out in Note III.11.

(6) Impairment of financial assets

The following items are subject to impairment accounting and recognition of loss allowances based on expected credit losses:

- A. Financial assets at amortised cost;
- B. Receivables and debt investments that are measured at fair value through other comprehensive income;
- C. Contract assets as defined in the Accounting Standard for Business Enterprises No. 14 – Revenue;
- D. Lease receivables;
- E. Financial guarantee contracts, except for those measured at fair value through profit or loss, for those the transfer of financial assets does not satisfy the derecognition condition or those formed as a result of continued involvement of the transferred financial assets.

Measurement of expected credit loss (ECL)

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Company discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

The Company takes into account reasonable and valid information on past events, current conditions and forecasts of future economic conditions, with the risk of default as the weight, to calculate the probabilistic weighted amount of the present value of the difference between the cash flow receivable from contract and the expected cash flow to be received and recognise the expected credit loss.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Measurement of expected credit loss (ECL) (continued)

The Company separately measures the expected credit losses of financial instruments at different stages. If the credit risk of a financial instrument does not increase significantly since the initial recognition, it would be classified in Stage 1, the Company would measure loss allowance based on the future 12-month expected credit losses. If the credit risk of a financial instrument has significantly increased since the initial recognition but not yet credit-impaired, it would be classified in Stage 2, the Company would measure loss allowance based on the lifetime expected credit losses of that instrument. If a financial instrument has credit-impaired since the initial recognition, it would be classified in Stage 3, and the Company would measure loss allowance base on the lifetime expected credit losses of that instrument.

For a financial instrument with lower credit risk on the balance sheet date, the Company assumes that its credit risk has not increased significantly since the initial recognition, and measures loss allowance based on the 12-month expected credit losses.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. Future 12-month expected credit losses are the portion of expected credit losses that result from all possible default events on a financial instrument within the 12 months after the balance sheet date (or the expected life of the instrument, if it is less than 12 months).

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company are exposed to credit risk (including the option to renew).

For the financial instruments classified in Stage 1 and Stage 2 and those with lower credit risk, the Company would measure the interest income by the book balance (that is, without deduction for impairment allowance) and the effective interest rate. For financial instruments classified in Stage 3, the Company would measure the interest income by the amortised cost (that is, book balance less impairment allowance) and the effective interest rate.

For bills receivables, accounts receivables and contract assets, regardless whether it has significant financing components or not, the Company has always measured its loss allowance at an amount equal to lifetime expected credit losses.

If the expected credit losses of one individual financial asset cannot be estimated at a reasonable cost, the Company classifies bills receivables and accounts receivables into portfolios based on credit risk characteristics, and measures expected credit losses on portfolios basis to determine portfolios by the following basis:

- A. Bills receivable
 - Bills receivable portfolio 1: Bank acceptance bills
 - Bills receivable portfolio 2: Commercial acceptance bills

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Measurement of expected credit loss (ECL) (continued)

B. Accounts receivables

- Accounts receivables portfolio 1: Amount due from domestic customers
- Accounts receivables portfolio 2: Amount due from overseas customers
- Accounts receivables portfolio 3: Receivables of consolidated companies

Contract assets

- Contract assets portfolio: Sale of products

For bills receivable classified into portfolios, the Company measures expected credit losses based on the risk exposures of default and lifetime expected credit losses rate with reference to the historical credit loss experience, current situation and forecasts of future economic conditions.

For accounts receivables classified into portfolios, the Company measures expected credit losses through preparing a table of concordance between the aging of accounts receivables and lifetime expected credit losses rate with reference to the historical credit loss experience, current situation and forecasts of future economic conditions.

Other receivables

The Company classifies other receivables into certain portfolios based on credit risk characteristics, and measures expected credit losses on portfolios basis to determine portfolios by the following basis:

- Other receivables portfolio 1: Receivables of export tax refund
- Other receivables portfolio 2: Receivables of deposits under guarantee and security deposits and lease expenses
- Other receivables portfolio 3: Other receivables
- Other receivables portfolio 4: Other receivables of consolidated companies

For other receivables classified into portfolios, the Company measures expected credit losses based on the risk exposures of default and future 12-month or lifetime expected credit losses rate.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Long-term receivables

The Company's long-term receivables include finance lease receivables and equity transfer receivables.

The Company classifies finance lease receivables and equity transfer receivables into certain portfolios based on credit risk characteristics, and measures expected credit losses on portfolios basis to determine portfolios by the following basis:

- A. Finance lease receivables
 - Portfolio of finance lease receivables: other receivables
- B. Other long-term receivables
 - Portfolio of other long-term receivables: equity transfer receivables

For finance lease receivables and equity transfer receivables, the Company measures expected credit losses based on the risk exposures of default and lifetime expected credit losses rate with reference to the historical credit loss experience, current situation and forecasts of future economic conditions.

For other receivables and long-term receivables other than finance lease receivables and equity transfer receivables that are classified into portfolios, the Company measures expected credit losses based on the risk exposures of default and future 12-month or lifetime expected credit losses rate.

Debt investments and other debt investments

For debt investments and other debt investments, the Company measures expected credit losses based on the nature of investments, counterparties and various types of risk exposures and the risk exposures of default and future 12-month or lifetime expected credit losses rate.

Assessment of significant increase in credit risk

By comparing the risk of default of financial instruments occurring on the balance sheet date and on the initial recognition date, the Company determines the relative changes in risk of default over the expected life of financial instruments and assesses whether the credit risk of financial instruments have increased significantly since the initial recognition.

When determine whether credit risks have significantly increased since the initial recognition, the Company considers information that is reasonable and supportable, including forward-looking information, that is available without undue cost or effort. The information considered by the Company includes:

- Failure to make payments of principal or interest on debtors' contractually due dates;
- An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if any);

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Assessment of significant increase in credit risk (continued)

- An actual or expected significant deterioration in the operating results of debtors;
- Existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtors' abilities to repay to the Company.

Depending on the nature of the financial instruments, the Company assesses whether credit risks have significantly increased on either an individual financial instrument basis or a collective financial instrument basis. When the assessment is performed on a collective financial instrument basis, the Company can classify the financial instruments based on the shared credit risk characteristics, such as past due information and credit risk ratings.

The Company determines that the credit risk on a financial instrument has increased significantly if it is more than 30 days past due.

Credit-impaired financial assets

The Company assesses whether financial assets at amortised cost and debt investments at fair value through other comprehensive income are credit-impaired on balance sheet date. A financial asset is credit-impaired when one or more events that have an adverse impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:

- significant financial difficulty of the issuer or debtor;
- a breach of contract by debtor, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the debtor's financial difficulty, the Company having granted to the debtor a concession that would not otherwise consider;
- it is probable that the debtor will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor.

Presentation of allowance for ECL

The Company remeasures the ECLs on each balance sheet date to reflect changes in the financial instruments' credit risk since initial recognition, and the increase or reversal of the loss allowance resulted therefrom is recognised as an impairment gain or loss in profit or loss. For financial assets at amortized cost, the loss allowance is offset against their carrying amounts in the balance sheet. For debt investments at fair value through other comprehensive income, the Company recognises the loss allowance in other comprehensive income and does not deduct the carrying amount of the financial assets.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments *(continued)*

(6) Impairment of financial assets *(continued)*

Write-off

The book balance of the carrying amount of a financial asset will be written off (either partially or in full) to the extent that there is no realistic prospect of recovery of contractual cash flows of the financial asset by the Company. A write-off constitutes a derecognition of the relevant financial asset. This is generally the case the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Subsequent recovery of an asset that was previously written off is recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(7) Transfer of financial assets

Transfer of financial assets refers to the transfer or delivery of financial assets to the other party (the transferee) other than the issuer of financial assets.

The Company derecognises a financial asset only if it transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; the Company should not derecognise a financial asset if it retains substantially all the risks and rewards of ownership of the financial asset.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it shall be treated as follows: if the Company has forgone control over the financial asset, it should derecognise the financial asset and recognise the assets and liabilities generated; if the Company retains its control over the financial asset, it should recognise the financial asset to the extent of its continuing involvement in the transferred financial asset and recognise the relevant liability accordingly.

(8) Offsetting financial assets and financial liabilities

When the Company has the legal right to offset recognised financial assets and financial liabilities, and the legal right can be executed at present, and the Company has a plan to settle by net amount or to realize the financial assets and repay the financial liabilities at the same time, the financial assets and financial liabilities will be offset and the net amount will be presented in the balance sheet. Otherwise, the financial assets and financial liabilities shall be presented separately in the balance sheet and cannot be offset.

11. Fair value measurement

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company measures the relevant asset or liability at fair value assuming the orderly transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability. In the absence of such a principal market, the Company assumes that the transaction takes place at the most advantageous market for the relevant asset or liability. A principal market (or the most advantageous market) is the transaction market that the Company can enter into at the measurement date. The Company adopts the same hypothesis which would be used by the market participants in asset or liability pricing to maximize their economic benefit.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. Fair value measurement (continued)

If there exists an active market for the financial asset or financial liability, the Company uses the quotation on the active market as its fair value. For financial instrument without an active market, the Company uses valuation technique to recognise its fair value. However, under limited circumstances, the Company may use all information about the results and operation of the investee obtained after the date of initial recognition to determine whether the cost represents its fair value. Cost may represent the best estimate of fair value of the relevant financial asset within the scope of distribution, and such cost represents the appropriate estimate of fair value within the scope of distribution.

For non-financial assets measured at fair value, the Company takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses the valuation techniques that are appropriate in the circumstances and for which sufficient data and other information available, and maximizes the use of relevant observable inputs, while unobservable inputs will be used only when the observable inputs cannot or impracticable to be obtained.

For the assets and liabilities measured or disclosed at fair value in the financial statements, fair value hierarchies are categorized into three levels based on the lowest level inputs that are significant to the entire fair value measurement: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities; 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; and Level 3 inputs are unobservable inputs for the asset or liability.

At each balance sheet date, the Company re-assesses the assets and liabilities measured at fair value on continuing basis recognised in the financial statements to determine whether any transfer occurs between fair value hierarchies.

12. Inventories

(1) Classification of inventories

The Company's inventories mainly include, among others, raw materials, packaging materials, work in progress, finished goods, subcontracting materials and low-value consumables.

(2) Method of costing for inventory acquisition and distribution

Inventories are measured at actual cost on acquisition. Cost of inventories comprises actual costs of purchase and which incurred in bringing the inventories to their present location and condition. Cost of distribution of inventories is calculated using the weighted average cost method. Low-value consumables and packaging materials are amortised in full upon the use.

(3) The underlying factors in the determination and the basis of provision for diminution in net realisable value of inventories

Net realisable value of inventories is the estimated selling price less the estimated costs of completion, selling expenses and related taxes. The net realizable value of inventories is determined based on objective evidence, and consideration will be given to the purpose of holding the inventories and the effects of the events after balance sheet date.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

12. Inventories *(continued)*

(3) The underlying factors in the determination and the basis of provision for diminution in net realisable value of inventories *(continued)*

On the balance sheet date, the inventories are calculated at the lower of cost and the net realizable value. When the net realizable value is lower than the cost, the provision for diminution in value of inventories is made on an item-by-item basis at the excess of the cost of the inventory over its net realizable value. For large volume inventories with low unit price, the provision for diminution in the value of inventories is made by categories.

When the provision for diminution in the value of inventory is made, if the factors that previously give rise to the write-down of inventories are no longer exist, which result in a net realizable value of the inventory higher than its carrying amount, the amount of the provision for diminution in value of inventories that has been made should be reversed and recognised in the profit or loss for the current period.

(4) Inventory system

The Company maintains a perpetual inventory system.

(5) Amortisation methods for low-value consumables

Low-value consumables of the Company are amortised in full when used.

13. Assets held for sale and discontinued operations

(1) Classification and measurement of non-current assets or the disposal group held for sale

Non-current assets and disposal groups are classified as held for sale if the Company recovers its book value mainly by selling (including the exchange of non-monetary assets with commercial substance) rather than continuing to use it.

The aforesaid non-current assets do not include investment property measured with the basis of fair value; the biological assets measured with the basis of fair value less selling costs; the assets formed by employee benefits; financial assets and the right arising from deferred income tax assets and insurance contracts.

A disposal group is a group of assets to be disposed through sale or other means as a whole in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. In certain circumstance, disposal groups include the goodwill obtained through business combination.

Non-current assets and disposal groups that meet the following conditions are classified as held for sale: according to the practice of disposing of this type of assets or disposal groups in a similar transaction, a non-current asset or disposal group is available for immediate sale at its present condition; the sale is likely to occur, that is, a decision has been made on a sale plan and a determined purchase commitment is made, and the sale is expected to be completed within one year. Where the loss of control over the subsidiaries is due to the sales of investment in subsidiaries, no matter whether the Company retains part of the equity investment after selling or not, the investment in subsidiaries shall be classified as held for sale in the separate financial statements when it satisfies the conditions for category of held for sale; all assets and liabilities of subsidiaries shall be classified as held for sale in the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

13. Assets held for sale and discontinued operations (continued)

(1) Classification and measurement of non-current assets or the disposal group held for sale (continued)

The difference between carrying amount of non-current assets or disposal groups classified as held for sale and the net amount of fair value less selling costs shall be recognised as impairment loss on assets upon initial measurement or when such non-current assets or disposal groups are remeasured at the balance sheet date. For the amount of impairment loss on assets recognised in disposal groups, the carrying amount of disposal groups' goodwill shall be offset against first, and then offset against the carrying amount of non-current assets according to the proportion of carrying amount of the individual non-current assets in the disposal groups.

If on a subsequent balance sheet date, the net amount of the fair value of a held-for-sale non-current asset or disposal group less its selling costs increases, the amount reduced previously shall be recovered, and reversed in the asset impairment loss recognised on the non-current asset after the non-current asset is classified into held-for-sale category. The reversed amount is recognised in current profit or loss. The carrying value of goodwill which has been offset cannot be reversed.

No depreciation or amortisation is provided for the non-current assets in the held-for-sale and the assets in the disposal group held for sale. The interest on the liabilities and other costs in the disposal group held for sale is recognised continuously. As far as all or part of investment in the associates and joint ventures is concerned, for the part classified into the held-for-sale category, the accounting with equity method shall be ceased, while the remaining part(which is not classified into the held-for-sale category) shall still be accounted for using the equity method. When the Company loses the significant influence on the associates and joint venture due to the sale, the use of equity method shall be ceased.

When certain non-current asset or disposal group classified into the held-for-sale category no longer meets the classification criteria for held-for-sale category, the Company shall stop classifying it into the held-for-sale category and measure it according to the lower of the following two amounts:

- ① The carrying amount of the asset of disposal group before it was classified into the held-for-sale category after being adjusted with the depreciation, amortization or impairment that could have been be recognised if it was not classified into the held-for-sale category;
- ② The recoverable amount.

(2) Discontinued operation

Discontinued operation refers to the component meeting one of the following conditions that has been disposed of by the Company or classified by the Company into the held-for-sale type and can be identified separately:

- ① The component represents an independent principal business or a separate principal business place.
- ② The component is a part of the related plan for the contemplated disposal of an independent principal business or a separate principal business place.
- ③ The component is a subsidiary acquired exclusively for the purpose of resale.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

13. Assets held for sale and discontinued operations *(continued)*

(3) Presentation

The Company presents the non-current assets held for sale and the assets in the disposal group held for sale under "assets classified as held for sale", and the liabilities in the disposal group held for sale under "liabilities classified as held for sale" in the balance sheet.

The Company presents the profit and loss for continuing operation and profit and loss for discontinued operation in the income statement, respectively. The impairment loss and reversal amount and disposal profit and loss of the non-current assets held for sale or disposal group not meeting the definition of discontinued operation will be presented as the profit and loss of continuing operation. The operating profit and loss (such as impairment loss and reversal amount) and disposal profit and loss of the discontinued operation will be presented as the profit and loss of the discontinued operation.

The disposal group proposed for retirement rather than sale and meeting the condition about the relevant component in the definition of the discontinued operation will be presented as discontinued operation from the date of retirement.

For the discontinued operation reported in the current period, the information formerly presented as profit and loss of continuing operation will be presented as the profit and loss of discontinued operation for the comparable accounting period in the financial statement of the current period. If the discontinued operation no longer meets the classification criteria for held-for-sale category, the information formerly presented as profit and loss of discontinued operation will be presented as the profit and loss of continuing operation for the comparable accounting period in the financial statement of the current period.

14. Long-term equity investment

The long-term equity investment includes the equity investment in the subsidiary, joint ventures and associates. The investee over which the Company has significant influence is the associates of the Company.

(1) Determination of initial investment cost

The long-term equity investment resulting from corporate merger: For the long-term equity investment resulting from merger of companies under the same control, the carrying amount of the ownership equity of the merged party obtained on the merger date presented in the consolidated financial statement of the final controlling party will be used as the investment cost. For the long-term equity investment resulting from merger of companies under different controls, the merger cost will be used as the investment cost of the long-term equity investment.

The long-term equity investment obtained by other means: For the long-term equity investment obtained by paying cash, the actually paid purchase price will be used as the initial investment cost. For the long-term equity investment obtained by issuing equity securities, the fair value of the issued equity securities will be used as the initial investment cost.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

14. Long-term equity investment (continued)

(2) Subsequent measurement and recognition method of profit or loss

The investment in subsidiary will be accounted for using cost method, unless the investment meets the criteria of held-for-sale category. The investment in associates and joint venture will be accounted with equity method.

For the long-term equity investment accounted for using cost method, except for the price actually paid upon the investment or the cash dividend or profit in the consideration that has been declared but not released, the cash dividend or profit declared and distributed by the investee is recognised as the investment income and recorded into the profit and loss for the current period.

For the long-term equity investment accounted for using equity method, the investment cost of the long-term equity investment shall not be adjusted if the initial investment cost of the long-term equity investment is higher than the Company's share in the fair value of the identifiable net value of the investee at the time of investment; if the initial investment cost of the long-term equity investment is lower than the Company's share in the fair value of the identifiable net value of the investee at the time of investment, the carrying amount of the long-term equity investment will be adjusted, with the difference recorded into the profit and loss for the current period of investment.

When accounted for using the equity method, return on investment and other comprehensive income are recognised according to the share in the investee's realised net profit or loss and other comprehensive income respectively, and the carrying amount of the long-term equity investment is adjusted. The carrying amount of the long-term equity investment will be deducted according to the profit distribution declared by the investee or cash dividend attributable to the Company. The carrying amount of long-term equity investment will be adjusted for changes to equity interest attributable to the owners of the investee other than net profit or loss, other comprehensive income and profit distribution, and recorded into capital reserve (other capital reserve). The Company's share of the net profit or loss of the investees will be recognised after adjustment of the net profit of the investees according to the accounting policy and accounting period of the Company on the basis of fair value of all identifiable assets of the investee on acquisition.

If the Company is able to exert significant influence or implement joint control (which does not constitute control) on the investee through additional investment or other reason, the sum of the fair value of the original equity plus the additional investment cost will be used as the initial investment cost, which will be accounted for with equity method, on the conversion date. If the original equity has been classified as non-trading equity instrument investments measured at fair value through other comprehensive income, the related accumulated change of fair value originally recorded into other comprehensive income will be transferred into the retained earnings when accounted for using equity method.

If an entity loses joint control or has no significant influence over investees due to the elimination of parts of the equity investment, the surplus equity after disposal shall be recognised in accordance with "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", and the difference between fair value and carrying amount should be recognised as profit or loss for current period. Other comprehensive income of original equity investment recognised under equity method shall be recognised in accordance with the same foundation used by the investees when dispose the relevant assets or liabilities directly in the termination of equity method. Other changes of owners' equity related to the original equity investment shall be transferred into profit or loss for current period.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

14. Long-term equity investment (continued)

(2) Subsequent measurement and recognition method of profit or loss (continued)

If an entity loses control over investees due to the elimination of parts of the equity investment, the surplus owners' equity that is able to implement joint control or have significant influence over investees shall be measured at equity method and are deemed to be recognised under equity method since the acquisition date. The surplus owners' equity that are unable to implement joint control or have no significant influence over investees shall be processed in accordance with "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", and the difference between fair value and carrying amount at the day of loss of control shall be recognised as profit or loss for current period.

If the shareholding ratio of the Company is reduced due to the increase of capital of other investors, and thus the control is lost, but the joint control or significant influence can be exerted on the invested entity, the Company should recognise net asset according to the new shareholding ratio. The difference between the original book value of the long-term equity investment corresponding to the decrease in the shareholding ratio should be included in the current profit and loss; then, according to the new shareholding ratio, the equity method is used to adjust the investment.

The Company recognises the unrealized profit or loss of intra-transaction with associates and joint ventures that belongs to itself according to the percentage of shareholding and recognises the investment gains or losses after offset. However, the loss arising from the unrealized intra-transaction between the Company and investees, which belongs to the impairment loss of assets transferred, cannot be offset.

(3) Basis of determining common control and significant influence on the investee

Joint control is the contractually agreed sharing of control over an arrangement under which the decisions relating to any activity require the unanimous consent of the parties sharing control. In determining whether there is a joint control, the first judge is to determine whether the relevant arrangement is controlled collectively by all the parties involved or the group of the parties involved. Secondly, and then determine whether the decisions related to the basic operating activities should require the unanimous consent of the parties involved. If the parties involved or the group of the parties involved must act consistently to determine the relevant arrangement, it is considered that the parties involved or the group of the parties involved control the arrangement. If two or more parties involve in the collectively control of certain arrangement, it shall not be considered as joint control. Protection of rights shall not be considered in determining whether there is joint control.

Significant influence refers to the power to participate in the decision-making process for financial and operational policies of the investees without control or common control over the formulation of such policies. When determining whether it has significant influence over the investee, the influence of the voting shares of the investee held by the investor directly or indirectly and the potential voting rights held by the investor and other parties which are exercisable in the current period and converted to the equity of the investee, including the warrants, stock options and convertible bonds that are issued by the investee and can be converted in the current period, shall be taken into account.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

14. Long-term equity investment (continued)

(4) Held-for-sale equity investment

Refer to Note III. 13 for the relevant accounting treatment of the equity investment to joint ventures or associates all or partially classified as assets held for sale.

The surplus equity investments that are not classified as assets held for sale shall be accounted for using equity method.

The equity investment to joint ventures or associates already classified as held for sale no longer meets the conditions of assets held for sale shall be adjusted retroactively using equity method from the date of being classified as assets held for sale.

(5) Impairment test and impairment provision

Refer to Note III. 22 for investment to subsidiaries, associates and joint ventures and the impairment provision of assets.

15. Investment properties

Investment properties are properties held to earn rental or capital appreciation or both. The investment properties of the Company include land use rights that have already been leased out, land use rights that are held for the purpose of sale after capital appreciation, buildings that have been already been leased out, etc.

Investment properties of the Company are measured initially at cost upon acquisition, and subject to depreciation or amortization in the relevant periods according to the relevant provisions on fixed assets or intangible assets.

The Company adopts the cost model for subsequent measurement of the investment properties. The method for asset impairment provision is set out in Note III. 22.

The balance after the disposal income from the disposal, transfer, scrapping or destruction of the investment properties deducts the book value and the relevant taxes shall be recorded into the profit and loss for the current period.

16. Fixed asset

(1) Conditions for recognition of fixed assets

The Company's fixed assets represent the tangible assets held by the Company using in the production of goods, rendering of services, rent and for operation and administrative purposes with useful life over one accounting year.

The fixed asset can be recognised only when it is probable that the related economic benefits will flow to the company and the cost of the fixed asset can be reliably measured.

The Company's fixed assets are initially measured at the actual cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the related economic benefits will flow to the Company and the related cost can be reliably measured. The daily repair costs of fixed assets that do not meet the recognition criteria of subsequent expenditures of fixed assets are recorded in the profit or loss for the current period or included in the cost of the relevant assets when incurred. The carrying amount of the replaced part is derecognised.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

16. Fixed asset (continued)

(2) Depreciation methods of fixed assets

Fixed assets are depreciated using the equal annual instalment method. Fixed assets start to be depreciated from the day the assets to the expected conditions for use and stop to be depreciated when the assets are derecognised and are divided into hold-for-sale as non-current assets. For those fixed assets without considering impairment provision, the Company's annual depreciation rates are shown as follows according to the category, expected useful lives and estimated net residual values rates:

Category	Useful years (year)	Residual rate %	Annual depreciation rate %
Properties and Buildings	20	5-10	4.5-4.75
Machine and equipment	10	5-10	9-9.5
Transportation equipment	5	5-10	18-19
Electric equipment and others	5	5-10	18-19

Where, for the fixed assets for which depreciation provision is made, to determine the depreciation rate, the accumulated amount of the fixed asset depreciation provision that has been made shall be deducted.

(3) Refer to Note III. 22 for the impairment testing and the impairment provision of fixed assets.

(4) The Company reviews the useful life and estimated net residual value of fixed asset and the depreciation method applied annually at each of the year end.

The useful lives of fixed asset are adjusted if their expected useful lives are different from the original estimates; the estimated net residual values are adjusted if they are different from the original estimates.

(5) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

17. Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises necessary project expenditure incurred during construction, borrowing cost that are eligible for capitalization and other necessary cost incurred to bring the fixed assets ready for their intended use.

Construction in progress is transferred to fixed assets when the assets are ready for their intended use.

For provision for impairment of construction in progress, refer to Note III. 22.

NOTES TO FINANCIAL STATEMENTS 2022

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

18. Borrowing costs

(1) Recognition principle of capitalization of borrowing costs

For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, they shall be capitalized and included in the cost of related assets; other borrowing costs are recognised as expenses and included in profit or loss when incurred. Capitalization of such borrowing costs can commence only when all of the following conditions are satisfied:

- ① Expenditures for the asset incurred, capital expenditure includes the expenditure in the form of cash payment, transfer of non-cash assets or the interest-bearing liabilities for the purpose of acquiring or constructing assets eligible for capitalization;
- ② Borrowing costs incurred;
- ③ Activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Capitalization period of borrowing costs

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The borrowing cost incurred after that is recognised as an expense in the period in which they are incurred and included in profit or loss for the current period.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months; the borrowing costs in the normally interrupted period continue to capitalize.

(3) Calculation of the capitalization rate and amount of borrowing costs

The interest expense of the specific borrowings incurred at the current period, deducting any interest income earned from depositing the unused specific borrowings in bank or the investment income arising from temporary investment, shall be capitalized. The capitalization rate of the general borrowing is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings.

During the capitalization period, exchange differences on foreign currency special borrowings shall be capitalized; exchange differences on foreign currency general borrowings shall be recognised as current profits or losses.

19. Biological assets

(1) Determination of biological assets

Biological assets refer to assets comprising living animals and plants. No biological asset shall be recognised unless it meets the conditions as follows simultaneously:

- ① An enterprise possesses or controls the biological asset as a result of past transaction or event;
- ② The economic benefits or service potential concerning this biological asset are likely to flow into the enterprise;
- ③ The cost of this biological asset can be measured reliably.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

19. Biological assets (continued)

(2) Classification of biological assets

The Company's biological assets are consumable biological assets which include traditional Chinese medical herbal plant species.

The consumable biological assets refer to the biological assets held for sale, or biological assets to be harvested as agricultural products in the future, consisting of growing traditional Chinese medical herbal plant species. The consumable biological asset is initially measured at cost. The cost of any consumable biological asset by way of self-planting, cultivating, propagating or breeding is the necessary cost directly attributable to this asset prior to the harvest, consisting of borrowing costs that meet the conditions of capitalization. The subsequent expenses for the maintenance, protection and raising of a consumable biological asset after the harvest shall be included in the profits or loss for the current period.

The cost of a consumable biological asset shall, at the time of harvest or sale, be carried forward at its book value by the weighted average method.

(3) Impairment of biological assets

If the net realizable value of a consumable biological asset is lower than its carrying amount, provision of impairment loss is made and recognised in the profit or loss for the current period as the excess of the carrying amount over the net realizable value. If the factors affecting the impairment of the consumable biological asset no longer exist, the amount of write-down shall be resumed and shall be reversed from the original provision for the impairment loss before being recognised in the profit or loss for the current period.

20. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the enterprise. An intangible asset is recognised only when all of the following conditions are satisfied:

- ① It is probable that the economic benefits associated with the intangible assets will flow to the enterprise;
- ② The cost of the intangible asset can be reliably measured.

Intangible assets are initially measured at actual cost.

- ① Where the payment for acquisition of an intangible asset is postponed beyond the normal credit terms, which substantially constitutes a financing transaction, the present value of the purchase price will be recognised as the cost of intangible assets.

NOTES TO FINANCIAL STATEMENTS 2022

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

20. Intangible assets (continued)

- ② The intangible assets acquired from debtor under debt restructuring are stated at the fair value, and the difference between the carrying amount of the restructured debt and the fair value of the intangible assets acquired from debtor under debt restructuring is recognised in the profit or loss for the current period. For non-monetary assets exchange with commercial substance, if the fair value of the assets received or transferred can be reliably measured, the intangible assets received in the exchange of non-monetary assets shall normally be stated at the fair value of the assets transferred, unless there is objective evidence indicating that the fair value of the assets received is more reliable; for the exchange of non-monetary assets that does not meet the above conditions, the cost of intangible assets received is recognised at the carrying amount of the assets transferred with the relevant taxes, and no gains or losses will be recognised in the profit or loss.
- ③ The intangible assets acquired in the business combinations under common control are stated at the carrying amount of the intangible assets of the acquiree. The intangible assets acquired in the business combinations not under common control are recognised at its fair value.

The Company shall make judgement to determine the useful life of intangible assets upon acquisition based on its analysis. For intangible assets with finite useful life, the useful life shall be estimated from its length of service, its output in the future or other similar factors involved. When there is no foreseeable limit to the period over which an intangible asset is expected to generate economic benefits for the enterprise, it is regarded as having an indefinite useful life.

Amortisation of intangible assets: intangible assets with finite useful life are amortised in the profit or loss using the straight-line method over the estimated useful life. An intangible asset with indefinite useful life is not amortised. The useful life for an intangible asset with a finite useful life and the method of amortisation are reviewed by the Company at least once at the end of each financial year. If the useful life and amortisation method for the intangible assets are different from the previous estimate, the change of amortisation is recognised prospectively.

Amortisation of intangible assets with finite useful life is as follows:

Category	Useful life	Amortisation	Notes
Land use rights	50 years	Equal annual instalment method	
Patent and technical know-how	1-10 years	Equal annual instalment method	
Software	2-5 years	Equal annual instalment method	
Trademark rights	5 years	Equal annual instalment method	
Others	10 years	Equal annual instalment method	

When it is estimated that an intangible asset can no longer bring future economic benefits to the enterprise on the balance sheet date, the carrying amount of the intangible asset should be reversed to the profit or loss for the current period.

Please refer to Note III. 22 for the provision of impairment of intangible assets.

NOTES TO FINANCIAL STATEMENTS 2022

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

21. Research and development expenditure

Expenditures on an internal research and development project are classified into expenditures on the research phase and expenditures on the development phase.

Expenditures on the research phase refer to the costs incurred for original, exploratory and planned researches with the prospect of gaining new scientific or technical knowledge and understanding to collect data and prepare for further development activities. There is great uncertainty as to whether research in progress can move onto development phase and whether intangible assets can be created at the end of the development phase. Expenditures on the research phase shall be recognised in the profit or loss for the current period when incurred.

Expenditures on the development phase refer to the cost incurred for applying research findings or other knowledge to a plan or design to produce new materials, devices, products or make substantial improvement thereof before the commercial production or use. In the development phase, facilitating by the works conducted during the research phase, the Company shall be capable to demonstrate the feasibility of creating new products or new technologies. Expenditures on the development phase will be capitalized only when all of the following conditions are satisfied: it is technically feasible to complete the intangible asset so that it will be available for use or sale; the Company intends to complete the intangible asset and use or sell it; it can be demonstrated how the intangible asset will generate economic benefits, including proving that the intangible assets or the products produced by it will have markets, or the intangible assets for internal use will be useful; there are adequate technical, financial and other resources to complete the development and the Company is able to use or sell the intangible assets; and expenditures on the development phase attributable to the intangible assets can be reliably measured. The development expenditures that do not satisfy the above conditions shall be recognised in the profit or loss for the current period.

Capitalised expenditures on the development phase are shown as development expenditures in the balance sheet and reclassified as intangible assets on the date the project meets the intended purpose.

Capitalisation conditions for specific research and development projects are as follows: upon obtaining relevant approvals, such as the "Clinical Test Approval (臨床試驗批件)", "Drug Registration Approval (藥品註冊批件)" obtained in accordance with the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》) promulgated by the State Food and Drug Administration or approvals issued by international drug administration institutions, or satisfying the conditions of pilot in research and development projects, after considering both the research and development process of the pharmaceutical industry and the Company's own research and development features, the expenses occurred after obtaining such approval or commencing the pilot may be capitalized as research and development expenses provided that the conditions for development are satisfied according to the Company's assessment; the remaining research and development expenditures will be charged to research and development expenses; and the purchase price of any technology or formulation, etc. acquired externally is recognised as development expenses and any project requiring further research and development is recognised according to the standards as mentioned above.

Where it is impossible to differentiate the expenditures on the research phase and the expenditures on the development phase, all the research and development expenditures are recognised in the profit or loss for the current period.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

22. Impairment of assets

The impairment of the long-term equity investments in subsidiaries, associates and joint ventures, investment properties subsequently measured at cost, fixed assets, construction in progress, right-of-use assets, intangible assets, goodwill, etc. (excluding inventories, investment properties measured at fair value, deferred income tax assets and financial assets) is determined as follows:

On the balance sheet date, the Company determines whether there may be evidence of impairment of assets, if there is any evidence of impairment, the Company will estimate the recoverable amount for impairment test. For goodwill arising from a business combination, intangible assets with indefinite useful life and the intangible assets that have not yet ready for use are tested for impairment annually regardless of whether such evidence exists.

The recoverable amount of an asset is determined by the higher amount of its fair value less disposal costs and the present value of future cash flows expected to be derived from the assets. The Company estimates the recoverable amount based on individual asset; for an individual asset which is difficult to estimate the recoverable amount, the Company shall determine the recoverable amount of the asset group to which the asset belongs. The determination of an asset group is based on whether major cash inflows generated by the asset group are independent of the cash inflows from other assets or asset groups.

When the asset or asset group's recoverable amount is lower than its carrying amount, the Company reduces its carrying amount to its recoverable amount, the reduced amount is included in the profit or loss for the current period, while the provision for impairment of assets is recognised accordingly.

In terms of impairment test of the goodwill, the carrying amount of the goodwill arising from business combination shall be allocated to the related asset groups on a reasonable basis from acquisition date; where it is difficult to allocate to the related asset groups, it is allocated to the combination of related asset groups. The related asset groups or combination of asset groups are those which can benefit from the synergies of the business combination and are not larger than the reportable segments identified by the Company.

In the impairment test, if there is any indication that an asset group or a combination of asset groups related to goodwill may be impaired, the Company first tests the asset group or combination of asset groups excluding goodwill for impairment, calculates the recoverable amount and recognises the corresponding impairment loss. An impairment test is then carried out on the asset group or combination of asset groups containing goodwill by comparing its carrying amount with its recoverable amount. If the recoverable amount is lower than the carrying amount, an impairment loss is recognised for goodwill.

Once asset impairment loss is recognised, it cannot be reversed in subsequent accounting periods.

23. Long-term deferred expenses

The Company's long-term deferred expenses are measured at actual cost and evenly amortized over the expected beneficial period. For the long-term deferred expense items that cannot benefit the subsequent accounting periods, their amortized value shall be entirely included in the profit or loss for the current period.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

24. Employee compensation

(1) The scope of employee compensation

Employee compensation refers to all forms of remuneration or compensation given by the Company in exchange for service rendered by employees or the termination of employment. Employee compensation includes short-term remuneration, post-employment benefits, termination benefits and other long-term employee benefits. Employee compensation also includes benefits provided to employees' spouses, children, other dependants, survivors of the deceased employees or to other beneficiaries.

According to liquidity, employee compensation is presented separately as "employee benefits payables" item and "long-term employee benefits payables" item in the balance sheet.

(2) Short-term employee compensation

During the accounting period in which the employees render the related services, actually incurred wages, bonuses, social insurance contributions (including medical insurance fees, work-related injury insurance fees, maternity insurance fees, etc.) and housing provident fund are recognised as liability and included in the profit or loss for the current period or related asset costs.

(3) Post-employment benefits

Post-employment benefit plans mainly include defined contribution plans. Defined contribution plans refer to the post-employment benefit plans under which an entity pays fixed contributions into a separate fund and will have no obligation to pay further contributions. Defined contribution plans include the basic pension insurance, unemployment insurance, etc.

During the accounting period in which the employees render services, the amount payable calculated according to any defined contribution plan is recognised as a liability and included in the profit or loss for the current period or related asset costs.

(4) Termination benefits

When the Company provides termination benefits to employees, employee compensation liabilities arising from termination benefits are recognised and included in the profit or loss for the current period at the earlier of the following dates: when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; the Company recognises costs or expenses related to the restructuring that involves the payment of termination benefits.

For the implementation of the internal retirement plan for an employee, the economic compensation before the official retirement date is a termination benefit. The wage of and social insurance contributions for the internally retired employee which would have incurred from the date on which the employee ceases rendering services to the Company to the scheduled retirement date will be included in the profit or loss for the current period. Economic compensation after the official retirement date (such as normal pension) is accounted for as post-employment benefits.

NOTES TO FINANCIAL STATEMENTS 2022

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

24. Employee compensation (continued)

(5) Other long-term benefits

When other long-term employee benefits provided to the employees by the Company meet the conditions of a defined contribution plan, those benefits shall be accounted for in accordance with the relevant provisions of the above defined contribution plans.

25. Provisions

An obligation related to a contingency is recognised as a provision when all of the following conditions are satisfied:

- (1) The obligation is a present obligation of the Company;
- (2) It is probable that an outflow of economic benefits of the Company will be required to settle the obligation;
- (3) The amount of the obligation can be measured reliably.

Provisions are initially measured at the best estimate of the payment to settle the associated obligations and consider the relevant risk, uncertainty and time value of money. If the impact of time value of money is significant, the best estimate is determined by discounting the future cash outflow. The Company reviews the carrying amount of provisions on the balance sheet date and adjusts the carrying amount to reflect the best estimate.

If all or some expenses incurred for settlement of recognised provisions are expected to be borne by a third party or another party, the compensation amount shall, on a recoverable basis, be recognised as asset separately, and compensation amount recognised shall not be more than the carrying amount of the liability recognised.

26. Share-based payment and equity instruments

(1) Category of share-based payment

Share-based payment of the Company is classified into equity-settled share-based payment and cash-settled share – based payment.

(2) Determination of fair value of equity instrument

For options and other equity instruments granted by the Company with active market, the fair value is determined at the active market quotations. For options and other equity instruments with no active market, option pricing model shall be used to estimate the fair value of the equity instruments. Factors as follows shall be taken into account using option pricing models: A. the exercise price of the option; B. the validity period of the option; C. the current market price of the share; D. the expected volatility of the share price; E. predicted dividend of the share; F. risk-free rate of the option within the validity period.

(3) Recognition basis for the best estimate of exercisable equity instruments

On each balance sheet date during the pending period, the Company, based on the latest subsequent information such as the latest update on the change in the number of entitled employees, makes best estimate to adjust the expected number of equity instruments that can be exercised. As at the exercise date, the final estimated number of exercisable equity instruments should equal the actual number of exercisable equity instruments.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

26. Share-based payment and equity instruments *(continued)*

(4) Accounting treatment for implementation, amendment and termination of share-based payment plans

Equity-settled share-based payment is measured at the fair value of the equity instruments granted to employees. Instruments which are exercisable immediately upon the grant are included in relevant costs or expenses at the fair value of equity instruments on the date of grant and capital reserves are increased accordingly. If exercising is conditional upon completion of services in the pending period or fulfillment of performance conditions, on each balance sheet date during the pending period, based on the best estimate of the number of exercisable equity instruments, the services received for the period are recognised as the costs or expenses and capital reserves at fair value of the equity instruments as at the date of grant. After the exercise date, relevant costs or expenses and total shareholders' equity have been recognised and will not be adjusted.

Cash-settled share-based payments are measured at the fair value of the liabilities (share-based or other equity instrument-based) assumed by the Company. Instruments which are exercisable immediately upon the grant are included in relevant costs or expenses at the fair value of liabilities assumed by the Company on the date of grant and liabilities are increased accordingly. If exercising is conditional upon completion of services in the pending period or fulfillment of performance conditions, on each balance sheet date during the pending period, based on the best estimate of the exercisable situation, the services received for the period are recognised as the costs or expenses and corresponding liabilities at fair value of the liabilities assumed by the Company. On each balance sheet date and settlement date before the relevant liabilities are settled, the fair value of liabilities is remeasured and the resulting changes are included in the profit and loss for the current period.

When the Company modifies the share-based payment plan, and if such modification increases the fair value of the equity instruments granted, the increase in services received will be recognised accordingly following the increase in fair value of the equity instruments; if such modification increases the number of equity instruments granted, the increase in fair value of the equity instruments is recognised as a corresponding increase in services received. The increase in fair value of the equity instruments refers to the difference in fair values on the date of modification before and after the modification in respect of the equity instruments. If the modification reduces the total fair value of the share-based payments or adopts any form that is unfavorable to employees to modify the terms and conditions of the share-based payment plan, accounting treatment will be continued to be conducted in respect of the services received and the modification will be deemed to have never occurred, unless the Company had cancelled part or all of the equity instruments granted.

During the pending period, if the equity instruments granted are cancelled (except for failure to meet the non-market conditions of the exercising conditions), the Company will undertake an accelerated exercising in respect of the cancelled equity instruments that have been granted, include the remaining amount that shall be recognised during the pending period in the profit and loss for the current period immediately and recognise capital reserve accordingly. Where employees or other parties are permitted to choose to fulfil non-exercising conditions but have not fulfilled during the pending period, the Company will treat the granted equity instruments as cancelled.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

26. Share-based payment and equity instruments (continued)

(5) Accounting treatment for share-based payment transactions involving the Company and the shareholders or the actual controller of the Company

For share-based payment transactions involving the Company and the shareholders or the actual controller of the Company, the settlement enterprise and the enterprise receiving services (one under the Company while another external to the Company) shall follow the requirements below to conduct accounting treatment in the Company's consolidated financial statements:

- ① For settlement enterprises settling through their own equity instruments, such share-based payment transaction will be treated as equity-settled share-based payment; except for this, such share-based payment transaction will be treated as cash-settled share-based payment.

Where a settlement enterprise is an investor of an enterprise receiving services, the fair value of the equity instruments on the date of grant or the fair value of the liabilities that shall be assumed are recognised as long-term equity investment in the enterprise receiving services, at the same time, capital reserve (other capital reserve) or liabilities are recognised.

- ② Where an enterprise receiving services has no settlement obligations or grants its own equity instruments to employees, such share-based payment transaction will be treated as equity-settled share-based payment; where an enterprise receiving services has settlement obligations and grants equity instruments (other than its own) to employees, such share-based payment transaction will be treated as cash-settled share-based payment.

For a share-based payment transaction occurring among enterprises under the Company where the enterprise receiving services and the settlement enterprise are not the same enterprise, such share-based payment transaction shall be recognised and measured in each of the respective financial statements of the enterprise receiving services and the settlement enterprise by reference to the above principles.

27. Preferred shares, perpetual bonds and other financial instruments

(1) Distinction between financial liabilities and equity instruments

The Company classifies the financial instrument or its components as financial assets, financial liabilities or equity instruments at the initial recognition based on the contract terms of the issued financial instruments and the economic substances they reflect, instead of only in legal form, and combining the definitions of financial assets, financial liabilities and equity instruments.

(2) Accounting treatment of preferred shares, perpetual bonds and other financial instruments

The financial instruments issued by the Company are initially recognised and measured in accordance with the financial instrument standards; thereafter, interests or dividends are accrued or distributed on each balance sheet date and processed in accordance with relevant specific accounting standards for specific enterprises. That is, on the basis of the classification of a financial instrument issued, the accounting treatment of interest expenses or dividend distributions of the instrument is determined. For financial instruments classified as equity instruments, interest expenses or dividend distributions are treated as profit distributions of the Company, and repurchases and cancellations are treated as changes in equity; for financial instruments classified as financial liabilities, interest expenses or dividend distributions are in principle treated according to borrowing costs, and gains or losses arising from repurchases or redemptions are included in the profit or loss for the current period.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

27. Preferred shares, perpetual bonds and other financial instruments (continued)

(2) Accounting treatment of preferred shares, perpetual bonds and other financial instruments (continued)

The transaction costs such as charges and commissions incurred by the Company when issuing financial instruments, if classified as debt instruments and measured at amortized cost, are included in the initial measurement amount of the issued instruments; if classified as equity instruments, are deducted from equity.

28. Revenue

The Company shall recognise revenue when the Company satisfies the performance obligation of the contract, that is, the customer obtains control of relevant goods or services.

When the contract contains two or more performance obligations, on the effective date of the contract, the Company allocates the transaction price to each performance obligation based on the percentage of respective unit price of a good or service guaranteed by each performance obligation, and the revenue is measured according to the transaction price allocated to each performance obligation.

If one of the following conditions is fulfilled, the Company satisfies a performance obligation over time; otherwise, it satisfies a performance obligation at a point in time:

- ① When the customer simultaneously receives and consumes the economic benefits provided by the Company when the Company performs its obligations under the contract.
- ② When the customer is able to control the commodity in progress in the course of performance by the Company under the contract.
- ③ The product produced by the Company under the contract is irreplaceable and the Company has the right to payment for performance completed to date during the term of the contract.

For a performance obligation satisfied over time, the Company shall recognise revenue over time by measuring the process towards complete satisfaction of the performance obligation. When the progress of performance cannot be reasonably determined, if the costs incurred by the Company are expected to be recoverable, the revenue will be recognised to the extent of the costs incurred until the progress of performance can be reasonably determined.

For a performance obligation satisfied at a point in time, the Company shall recognise revenue when the customer obtains control of relevant goods or services. When determining whether the customer has obtained control of the goods and services, the Company will consider the following indications:

- ① The Company has the current right to receive payment for the goods or services, which is when the customer has the current payment obligations for the goods.
- ② The Company has transferred the legal title of the goods to the customer, which is when the customer possesses the legal title of the goods.
- ③ The Company has transferred the physical possession of goods to the customer, which is when the customer obtains physical possession of the goods.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

28. Revenue (continued)

- ④ The Company has transferred all of the substantial risks and rewards of ownership of the goods to the customer, which is when the customer obtains all of the substantial risks and rewards of ownership of the goods.
- ⑤ When the customer has accepted the goods or services.
- ⑥ When other information indicates that the customer has obtained control of the goods.

A contract asset represents the Company's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditioned on factors other than passage of time, for which the impairment allowance for expected credit loss is recognised (see Note III.10(6)). The Company shall present any unconditional (i.e. if only the passage of time is required) rights to consideration separately as a receivable. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or the amount is due) from the customer.

The contract assets and liabilities under the same contract shall be shown on a net basis. If the net amount stated in debit balance, it will be presented under the items of "Contract assets" or "Other non-current assets" according to its liquidity; If the net amount stated in credit balance, it will be presented under the items of "Contract liabilities" or "Other non-current liabilities" according to its liquidity.

The Company enters into sales contracts with customers. Revenue from sales is recognised according to the invoiced amount upon the delivery of goods to the designated carrier or purchaser according to the orders received from customers; revenue from export sales is recognised mainly by adopting FOB mode according to custom declaration upon making declaration for goods and completing the export procedures.

29. Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. The Company recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. The Company's expenditures other than the incremental costs that are expected to be recovered for the purpose of obtaining the contract are included in the current profit and loss when incurred.

NOTES TO FINANCIAL STATEMENTS 2022

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

29. Contract costs (continued)

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Company recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- ① the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, manufacturing overhead (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Company entered into the contract;
- ② the costs enhance resources of the Company that will be used in satisfying performance obligations in the future;
- ③ the costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the “assets related to contract costs”) are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period.

The Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- ① remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates;
- ② The cost estimated to be incurred for the transfer of related goods or services.

The costs of contract performance recognised as assets, if the amortisation period is less than one year or a normal operating cycle upon the initial recognition, are presented as “Inventories” item, and if the amortisation period is more than one year or a normal operating cycle upon the initial recognition, are presented as “Other non-current assets” item.

The contract obtaining costs recognised as assets, if the amortisation period is less than one year or a normal operating cycle upon the initial recognition, are presented as “Other current assets” item, and if the amortization period is more than one year or a normal operating cycle upon the initial recognition, are presented as “Other non-current assets” item.

30. Government grants

A government grant shall be recognised only when the enterprise can comply with the conditions attaching to the grant and the enterprise can receive the grant.

If a government grant is in the form of a transfer of a monetary asset, the item is measured at the amount received. If a government grant is in the form of a transfer of a non-monetary asset, the item is measured at fair value, when fair value is not reliably determinable, the item is measured at a nominal amount of RMB1.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

30. Government grants (continued)

Government grant related to assets represents the government grant received for acquisition and construction of long term assets, or forming long term assets in other ways. Except for these, all are government grant related to income.

Regarding the government grant not clearly defined in the official documents and can form long term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to income. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to income.

The government grant related to assets is recognised as deferred income and would be transferred to profit or loss in reasonable and systematic manner within the period of use of the relevant assets. The government grant related to income which is used to compensate the relevant costs or losses incurred should be recognised in the profit or loss for the current period; the government grant related to income which is used to compensate the relevant costs or losses for the subsequent period is recognised as deferred income and shall be recognised in profit or loss during the relevant cost or loss confirmation period. Government grants measured in nominal terms are directly included in the profit or loss for the current period. The Company has adopted a consistent approach to the same or similar government grant business.

The government grants related to daily activities are recognised as other gains in accordance with the substance of economic business. Government grants that are not related to daily activities are recognised as non-operating income.

If the recognised government grants need to be refunded, adjust the carrying amount of assets when the carrying amount of assets is offset at the time of initial recognition; the balance of deferred income is offset against the carrying amount of the balance of deferred income and the excess is recognised in the profit or loss for the current period. Other circumstances, it is directly recognised in the profit or loss for the current period.

31. Deferred income tax assets and deferred income tax liabilities

Income tax expense comprises current income tax expense and deferred income tax expense. Current income tax and deferred income tax are included in the profit or loss for the current period as tax expense, except for deferred income tax arising from a business combination, which is adjusted against the carrying amount of goodwill, and deferred income tax related to transactions or events that are directly recognised in shareholders' equity which are recognised directly in shareholders' equity.

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base are recognised as deferred income tax using the balance sheet liability method.

All the taxable temporary differences are recognised as deferred income tax liabilities except for those incurred in the following transactions:

- (1) The initial recognition of goodwill, and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit when the transaction occurs;
- (2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

31. Deferred income tax assets and deferred income tax liabilities (continued)

The Company recognises a deferred income tax asset for the carry-forward of deductible temporary differences, deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised, except for those incurred in the following transactions:

- (1) The transaction is neither a business combination nor affects accounting profit or taxable profit when the transaction occurs;
- (2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred income tax asset is recognised when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, and it is probable that taxable profits will be available in the future, against which the temporary difference can be utilized.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their tax effect is reflected.

At the balance sheet date, the Company reviews the carrying amount of a deferred income tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred income tax asset to be utilised, the carrying amount of the deferred income tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

32. Leases

(1) Identification of leases

At the inception of a contract, the Company, as a lessee or lessor, assesses if the customer in a contract has the right to obtain substantially all the economic benefits from use of the identified assets and the right to direct the use of the identified assets in the period of use. The Company would identify that a contract is a lease or contains a lease if a party of the contract transfers the right to control the use of one or more identified assets for a period of time in exchange for consideration.

(2) The Company as the lessee

At the inception of a lease, the Company recognises all its leases as the right-of-use assets and lease liabilities, except for the short-term leases and the leases of low-value assets which are treated with a simplified approach.

For the accounting policies on the right-of-use assets, please refer to Note III.33.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

32. Leases (continued)

(2) The Company as the lessee (continued)

Lease liabilities are initially measured based on the present value of outstanding lease payment at the inception of a lease, discounted using the interest rate implicit in the lease, or the incremental borrowing rate in case the interest rate implicit in the lease cannot be determined. Lease payment include: fixed payments and in-substance fixed payments, less any lease incentives (if there is a lease incentive); variable lease payment that are based on an index or a rate; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments of penalties for terminating the lease option, if the lease term reflects that the lessee will exercise that option; and amounts expected to be payable under the guaranteed residual value provided by the lessee. The Company shall subsequently calculate the interest expenses of lease liabilities over the lease term at the fixed periodic interest rate, and include it into the profit or loss for the current period. Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period in which they actually arise.

Short-term lease

Short-term lease refers to the lease that the lease term does not exceed 12 months from the inception of a lease, and the lease that includes the option of purchase is not a short-term lease.

The Company recognises the amount of lease payments of short-term lease in the cost of the related asset or the profit or loss for the current period, on a straight-line method over each period of the lease term.

Leases of low-value assets

For the leases of low-value assets, the Company chooses to adopt the above simplified treatment method in accordance with the specific conditions of each lease.

The Company recognised the lease payments for the leases of low-value assets in the relevant asset cost or the profit or loss for the current period on a straight-line basis over each period of the lease term.

Lease modification

When there is a lease modification and the following conditions are simultaneously met, the Company accounts for the lease modification as a separate lease: ① the lease modification expands the scope of the lease by adding the right to use one or more leased assets; ② the additional consideration is equal to the separate price of the expanded scope of the lease as adjusted for the circumstances of the contract.

If the lease modification is not accounted for as a separate lease, on the effective date of the lease modification, the Company reallocates the consideration of the modified contract, re-determines the lease term, and remeasures the lease liability based on the present value of the modified lease payment calculated at the revised discount rate.

If the lease modification results in a reduction in the scope of the lease or a shortened lease term, the Company reduces the carrying amount of the right-of-use assets accordingly, and include the gains or losses in relation to partial or complete termination of the lease in profit or loss for the current period.

If other lease modifications result in the remeasurement of lease liabilities, the Company adjusts the carrying amount of the right-of-use assets accordingly.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

32. Leases (continued)

(3) The Company as the lessor

When the Company is the lessor, the lease that substantially transfers all the risks and rewards related to the ownership of assets is recognised as a finance lease, and leases other than finance leases are recognised as operating leases.

Finance leases

In a financial lease, the Company uses the net investment in leases as the carrying amount of finance lease receivables at the inception of a lease. The net investment in leases is the sum of the unguaranteed residual value and the present value of the outstanding lease payment at the inception of a lease, discounted using the interest rate implicit in the lease. The Company, as the lessor, calculates and recognises the interest income over each period of the lease term at a fixed periodic interest rate. Variable lease payments not included in the net investment in leases, which are obtained by the Company as a lessor, are recognised in profit or loss as incurred.

The termination of recognition and impairment of finance lease receivables is accounted for in accordance with the provisions of "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument" and "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets".

Operating leases

For the rental of operating leases, the Company recognises it in the profit or loss for the current period on a straight – line basis over each period of the lease term. The initial direct cost incurred in connection with an operating lease shall be capitalized and amortised on the same basis for recognition of rental income during the lease term, and shall be included in installments in the profit or loss for the current period. The variable lease payment, which is obtained in connection with an operating lease and not included in the lease receivables, shall be included in the profit and loss for the current period when they actually occur.

Lease modification

The Company accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any receipts in advance or lease receivable relating to the original lease as part of the lease receivable for the new lease.

When there is a modification to an operating lease and the following conditions are simultaneously met, the Company accounts for the modification as a separate lease: ① the modification expands the scope of the lease by adding the right to use one or more leased assets; ② the additional consideration is equal to the separate price of the expanded scope of the lease as adjusted for the circumstances of the contract.

If the modification to operating lease is not accounted for as a separate lease, the Company will deal with the modified lease under the following circumstances: ① If the modification takes effect on the commencement date of the lease and the lease will be classified as an operating lease, the Company will account for it as a new lease from the effective date of the lease modification, and take the net lease investment before the effective date of the lease modification as the carrying amount of the leased assets; ② If the modification takes effect on the commencement date of the lease and the lease will be classified as a finance lease, the Company will account for it in accordance with the requirements on modifying or renegotiating a contract under the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument".

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

33. Right-of-use assets

(1) Recognition condition of right-of-use assets

The right-of-use assets of the Company are defined as the right of underlying assets in the lease term for the Company as a lessee.

Right-of-use assets are initially measured at cost as at the commencement date of the lease, which consists of: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date of the lease less any lease incentives received if any; initial direct expenses incurred by the Company as a lessee; costs to be incurred by the Company as a lessee in dismantling and removing a leased asset, restoring the site on which it is located or restoring the leased assets to the condition required by the terms and conditions of the lease. The Company as a lessee recognises and measures the costs of demolition and restoration according to "Accounting Standards for Business Enterprises No.13 – Contingencies", and subsequently adjusts for any remeasurement of lease liability.

(2) Depreciation method of right-of-use assets

The Company calculates depreciation on a straight-line basis. Right-of-use assets in which the Company as a lessee is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated over the remaining useful life. Otherwise, right-of-use assets are depreciated over the shorter of the lease term and its remaining useful life.

(3) For methods of impairment testing and provision for impairment for right-of-use assets, please refer to Note III. 22.

34. Repurchase of shares

Prior to cancellation or transfer of shares repurchased, the Company recognises all expenditures arising from share repurchase as cost of treasury shares in the treasury share account. Considerations and transaction fee incurred from the repurchase of shares shall lead to the elimination of owners' equity and does not recognise profit or loss when shares of the Company are repurchased, transferred or cancelled.

The difference between the actual amount received and the carrying amount of the treasury stock are recognized as capital reserve when the treasury stocks are transferred, if the capital reserve is not sufficient to be offset, the excess amount shall be recognised to offset surplus reserve and undistributed profit. When the treasury stocks are cancelled, the capital shall be eliminated according to the number of shares and par value of cancellation shares, the difference between the actual amount received and the carrying amount of the treasury stock are recognised as capital reserve, if the capital reserve is not sufficient to be offset, the excess amount shall be recognised to offset surplus reserve and undistributed profit.

35. Restricted shares

If the Company grants the Restricted Shares to incentive participants under the Share Options Incentive Scheme, the incentive participants subscribe for the shares first. If the unlocking conditions stipulated in the Share Options Incentive Scheme cannot be fulfilled subsequently, the Company repurchase the shares at the predetermined price. If the registration and other capital increase procedures for the Restricted Shares issued to employees are completed in accordance with relevant regulations, the Company recognises share capital and capital reserve (or capital premium) based on the subscription money received from the employees on the grant date; and recognises treasury shares and other payables for repurchase obligation.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

36. Significant accounting judgements and estimates

Significant accounting estimates and critical assumptions adopted by the Company are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The significant accounting estimates and critical assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are set out below:

(1) Classification of financial assets

Significant judgements involved in determining the classification of financial assets include analysis of business mode and characteristics of the contractual cash flows.

Factors considered by the Company in determining the business model of financial assets management for a group of financial assets include past experience on how financial asset's performance is evaluated and reported to key management personnel, how risks affecting the performance of financial asset are assessed and managed and how managers of related businesses are compensated.

When assessing whether the contractual cash flows of financial assets are consistent with basic lending arrangement, the Company adopts the following significant judgements: whether the time distribution or amounts of the principal within the duration may change due to early repayment and other reasons; whether the interest includes only the time value of money, credit risk, other basic lending risks and the consideration for cost and profit. For example, the amounts of early repayment only reflect principal unpaid, the interest based on principal unpaid and reasonable compensation paid for early termination of a contract.

(2) Measurement of ECL for account receivables

The Company calculates ECL of account receivables according to their exposure at default and ECL rate, and determines ECL rate based on probability of default and loss given default. When determining ECL rate, the Company adopts data like historical credit loss experience in combination with current situation and forward-looking information to adjust historical data. When considering forward-looking information, the Company uses indicators including the risk of economic downturn, external market environment, technology environment and changes on customer situation. The Company periodically monitors and reviews assumptions relevant to the measurement of ECL.

(3) Impairment of non-current assets other than financial assets (excluding goodwill)

The Company assesses whether there are any indicators of impairment for non-current assets other than financial assets as at the balance sheet date. For intangible assets that have not yet reached their usable status, in addition to the annual impairment test, when there are indications of impairment, an impairment test is also conducted. Other non-current assets other than financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or asset group exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its present value of future cash flows. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

36. Significant accounting judgements and estimates (Continued)

(4) Impairment of goodwill

The Company evaluates whether goodwill is impaired at least once a year. This requires an estimate of the value in use of the asset groups to which the goodwill is allocated. In estimating the value in use, the Company needs to estimate the future cash flows generated from the asset groups and also to choose an appropriate discount rate in order to calculate the present value of the future cash flows.

(5) Development expenditure

Determining the amounts to be capitalized requires the management to make assumptions regarding the expected future cash flows generated from assets, discount rates to be applied and the expected period of benefits.

(6) Deferred income tax assets

The deferred income tax assets will be recognised for all unused tax losses to the extent that it is probable that there will be sufficient taxable profits against which the loss is utilised. This requires the management to exert numerous judgments to estimate the timing and amount of the future taxable profits so as to determine the amount of deferred income tax assets to be recognised with reference to the tax planning strategy.

(7) Revenue recognition

As stated in Note III. 28, the Company makes the following significant accounting judgements and estimates in terms of revenue recognition: identifying customer contracts; estimating the recoverability of the considerations that are entitled to be obtained by transferring goods to customers; identifying the performance obligation in the contract; estimating the variable consideration in the contract and cumulative revenue recognised where it is highly probable that a significant reversal therein will not occur when the relevant uncertainty is resolved; assessing whether there is a significant financing component in the contract; estimating the individual selling price of the individual performance obligation in the contract, etc. The Company makes judgments primarily based on historical experiences and works. Changes in these significant judgments and estimates may have significant impacts on the operating income, operating costs, and profit or loss of the current or subsequent periods.

(8) Determination of the fair value of unlisted equity investment

The fair value of unlisted equity investments represents the expected future cash flows discounted at the prevailing discount rate of items with similar terms and risk characteristics. It requires the Company to estimate the expected future cash flows and discount rates, and therefore there is uncertainty. Under limited circumstances, if the information used to determine the fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and cost represents the best estimate of the fair value within such scope, the cost may represent an appropriate estimate of the fair value within such distribution scope.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

37. Changes in significant accounting policies and accounting estimates

(1) Changes in accounting policies

- ① Interpretation No. 15 of Accounting Standards for Business Enterprises

The Ministry of Finance issued Interpretation No. 15 of Accounting Standards for Business Enterprises (Cai Kuai [2021] No. 35) in December 2021 (hereinafter referred to as "Interpretation No. 15").

Interpretation No. 15 stipulates that the external sales of products or by-products produced by enterprises before their fixed assets are in their intended usable condition or during research and development process (hereinafter referred to as "Trial Operation Sales"). It shall comply with the "Accounting Standards for Business Enterprises No. 14 – Income" and the "Accounting Standards for Business Enterprises No. 1 – Inventory" and other regulations to account relevant income and costs of Trial Operation Sales separately and include them in the profit or loss of the current period, and the net amount of the relevant income from Trial Operation Sales after offsetting relevant costs shall not be written off against the cost of fixed assets or research and development expenditures. The relevant products or by-products produced during the Trial Operation shall be recognised as inventories before they are sold in accordance with the "Accounting Standards for Business Enterprises No. 1 – Inventory", and shall be recognised as relevant assets if they meet the conditions for recognition of relevant assets in other relevant accounting standards.

The Company has implemented the provisions of Interpretation No. 15 "accounting treatment for external sales of the fixed assets before reaching their intended use or the products or by-products produced during the R&D process" since 1 January 2022.

Interpretation No. 15 stipulates that, the "unavoidable costs of meeting the obligations under the contract" shall reflect the least net costs of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it. Costs that relate to that contract of an enterprise include both the incremental costs of fulfilling that contract and the allocation of other costs that relate directly to fulfilling that contract. Among which, incremental costs of fulfilling that contract include direct labour and direct materials; the allocation of other costs that relate directly to fulfilling the contract includes an allocation of the depreciation charge for an item of fixed assets used in fulfilling that contract among others.

The Company has implemented the provisions of Interpretation No. 15 "the determination of onerous contracts" since 1 January 2022.

The adoption of Interpretation No. 15 does not have significant impact on the financial position and operating results of the Company.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

37. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in accounting policies (Continued)

② Interpretation No. 16 of Accounting Standards for Business Enterprises

The Ministry of Finance issued Interpretation No. 16 of Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31) in November 2022 (hereinafter referred to as "Interpretation No. 16").

As specified by Interpretation No. 16, as for the financial instrument such as perpetual bonds classified as equity instrument, the enterprise should recognise income tax effect in respect of dividend when it recognises dividends payable. As for the distributed profits that originated from the transactions or matters which previously generated profit or loss, the income tax effect of the dividend should be included in the current profit or loss; as for the distributed profits that originated from transactions or matters which were previously recognized in shareholders' equity, the income tax effect of the dividend should be included in shareholders' equity.

As specified by Interpretation No.16, if the enterprise changes cash-settled share-based payment into equity-settled share-based payment when it modifies the terms and conditions of cash-settled share-based payment agreement, the enterprise should measure equity-settled share-based payment at the fair value at the date when equity instruments are granted at the modification date, include the services received in capital reserves and derecognize the liability recognized for cash-settled share-based payment at the modification date, the difference of which should be included in the profit or loss for the period. If the pending period is extended or shortened by modification, the enterprise should conduct the above accounting according to the modified pending period (it is not necessary to consider the accounting requirements that is not beneficial to modification).

The adoption of Interpretation No. 16 does not have significant impact on the financial position and operating results of the Company.

(2) Changes in significant accounting estimates

None.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

IV. TAXATION

1. The main taxes and tax rates

Types of tax	Basis of taxation	Statutory tax rate (%)
Value added tax	Taxable value-added amount	3, 13
Urban maintenance and construction tax	Actual amount of turnover tax paid	1, 5, 7
Education surcharges	Actual amount of turnover tax paid	3
Local education surcharges	Actual amount of turnover tax paid	Note1
Enterprise income tax	Turnover tax to be paid	Note2

Note 1: The Company and its subsidiaries that are incorporated in Zhuhai shall pay local education surcharges that are charged at 2% on the turnover tax to be paid; Other subsidiaries shall pay local education surcharges according to the tax rate as specified at their places of incorporation on the basis of turnover tax to be paid.

Note 2: The enterprise income tax rate applicable to the Company and its subsidiaries are set out as follows:

Name of taxpayer	Income tax rate (%)
Livzon Pharmaceutical Biotechnology Co., Ltd. (麗珠醫藥生物科技有限公司), Lian Hong Kong Limited (麗安香港有限公司) and Livzon Biologics Hong Kong Limited (麗珠生物科技香港有限公司)	16.5
Companhia de Macau Carason Limitada (澳門嘉安信有限公司) and Li Zhu (Macau) Limitada (麗珠(澳門)有限公司)	0 or 12 (Tax rate is 12% where the taxable income is MOP600,000 or more; for those with taxable income less than MOP600,000, they are exempted from income taxes.)
The Company and Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠), Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司), Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司), Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司), Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司), Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司), Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司), Shanghai Livzon Biotechnology Co., Ltd. (上海麗珠生物科技股份有限公司), Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司), Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司), Zhuhai Lihe Pharmaceutical Diagnostic Product Company Limited (珠海麗禾醫療診斷產品有限公司), Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司)	15
LIVZON BIOLOGICS (MALAYSIA) SDN. BHD.	17 or 24 (Tax rate is 17% where registered capital is less than RM 2.5 million and the initial profit is less than RM 0.6 million; tax rate is 24% where registered capital is more than RM 2.5 million or earning is more than RM 0.6 million)
Livzon MABPharm (US) Inc. (麗珠單抗生物技術(美國)有限公司)	21
Livzon International Ventures, Livzon International Ventures I, Livzon International Ventures II	0
Other subsidiaries	25 or be entitled to preferential tax policies for small and low-profit enterprises

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

IV. TAXATION (continued)

2. Tax preference and approvals

(1) Preferential value added tax

In accordance with the Announcement on Value Added Tax on Biological Products Sold by Pharmaceutical Operation Enterprises (Announcement of State Administration of Taxation 2012 No. 20) and the Notice of the Ministry of Finance, the General Administration of Customs, the State Administration of Taxation and the State Drug Administration on the Value-Added Tax Policies for Anti-Cancer Drugs (Caishui [2018] No. 47), the biological products and anti-cancer drugs sold by the Company are subject to value added tax at 3% by the simple approach.

(2) Preferential enterprise income tax

The Company and its subsidiaries, Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠), Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司), Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司), Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司) and Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司) are entitled to enjoy preferential income tax policies applicable to high and new technology enterprises since 2020 for a valid period of three years; Shanghai Livzon Biotechnology Co., Ltd. (上海麗珠生物科技股份有限公司) is entitled to preferential income tax policies applicable to high and new technology enterprises since 2021 for a valid period of three years; Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司), Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) and Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) are entitled to preferential income tax policies applicable to high and new technology enterprises since 2022 for a valid period of three years; Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司) was approved to enjoy the enterprise taxation preference of the Encouraged Industries in Western China. Such companies were subject to an enterprise income tax rate of 15% for the Period.

In accordance with Article 27 of the Enterprise Income Tax Law of the People's Republic of China and Article 86 of the Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China, the business of planting Chinese herbal medicines engaged by Datong Livzon Qiyuan Medicine Co., Ltd. (大同麗珠芪源藥材有限公司) and Longxi Livzon Shen yuan Medicine Co., Ltd. (隴西麗珠參源藥材有限公司) are exempted from enterprise income tax.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Preferential Enterprise Income Tax Policies of the Guangdong-Macao In-depth Cooperation Zone of Hengqin (Cai Shui [2022] No. 19), qualified industrial enterprises located in the Guangdong-Macao In-depth Cooperation Zone of Hengqin will be subject to a reduced enterprise income tax rate of 15%. Zhuhai Lihe Medical Diagnostic Product Company Limited (珠海麗禾醫療診斷產品有限公司) and Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司) met relevant conditions, and were subject to an enterprise income tax rate of 15% for the Period.

According to the preferential tax policies for small low-profit enterprises, the portion of annual taxable income of a small low-profit enterprise which does not exceed RMB1 million is subject to enterprise income tax at a tax rate of 2.5%; the portion over RMB1 million but not exceeding RMB3 million is subject to enterprise income tax at a tax rate of 5%.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary funds

Item	Balance at End of the Period			Balance at the End of Last Year		
	Amount in foreign currency	Translation rate	Amount in RMB	Amount in foreign currency	Translation rate	Amount in RMB
Cash on hand:			198,834.79			194,319.63
RMB			182,232.35			178,450.45
Euro	1,579.87	7.4229	11,727.22	1,579.87	7.2197	11,406.19
USD	700.00	6.9646	4,875.22	700.00	6.3757	4,462.99
Bank deposits:			10,396,217,240.84			9,002,550,448.00
RMB			9,462,488,273.78			8,049,009,679.75
HKD	6,182,716.76	0.89327	5,522,835.40	3,689,174.59	0.8176	3,016,269.14
Euro	92,651.09	7.4229	687,739.78	75,451.09	7.2197	544,734.23
USD	129,970,513.20	6.9646	905,192,636.21	148,446,729.16	6.3757	946,451,811.10
MOP	4,921,985.97	0.8681	4,272,776.02	1,412,971.92	0.7936	1,121,334.52
JPY	344,798,878.00	0.052358	18,052,979.65	43,429,022.00	0.055415	2,406,619.26
Bank deposits: Interest receivable			67,758,851.73			19,969,652.77
Other monetary funds:			14,932,334.46			143,628,687.38
RMB			7,938,294.88			2,134,278.90
HKD	4,665,094.02	0.89327	4,167,188.53	67,295,920.52	0.8176	55,021,144.62
USD	405,888.50	6.9646	2,826,851.05	13,562,944.28	6.3757	86,473,263.86
Total			10,411,348,410.09			9,146,373,455.01
Of which: Total amount of overseas deposits			755,151,847.86			800,264,898.14

- ① Other monetary funds are mainly deposits for investments, deposits for letters of guarantee and other businesses.
- ② Frozen funds in bank deposits and restricted funds relating to deposits for letters of guarantee and other businesses in other monetary funds were deducted from cash and cash equivalents in cash flow statement. Other than such funds, there is no balance at End of the Period subject to restricted uses under charge, pledge or lock up, kept outside China and may have probable risks in its collection. Below are the details of the use of restricted monetary funds:

Item	Balance at the End of the Period	Balance at the End of Last Year
Deposits under guarantee	946,876.64	1,093,834.12

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2. Financial assets held for trading

(1) Classification

Item	Balance at the End of the Period	Balance at the End of Last Year
Financial assets held for trading	108,094,033.51	182,773,354.56
Of which: Debt instrument investments	934,289.94	940,162.94
Equity instrument investments	102,648,863.47	176,321,853.05
Derivative financial assets	4,510,880.10	5,511,338.57
Total	108,094,033.51	182,773,354.56

① The Company's investments in equity instruments and debt instruments for financial assets held for trading at the End of the Period were listed for trading on stock exchanges such as Shenzhen Stock Exchange, Hong Kong Stock Exchange and NASDAQ in the United States. Their fair value was determined based on the closing price on the last trading day in the Reporting Period.

② Derivative financial assets represent foreign currency forward contracts, futures contracts, gains from unexpired contracts measured at fair value was recognised as financial assets at balance sheet date.

(2) No restrictive financial asset measured at fair value through profit or loss was realised in the ending balance of the Period.

(3) No hedging instruments in the ending balance of the Period and no hedging transactions occurred during the Period.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Bills receivables

Type of bills	Balance at the End of the Period			Balance at the End of Last Year		
	Book balance	Provision for bad debt	Carrying amount	Book balance	Provision for bad debt	Carrying amount
Bank acceptance bills	1,623,939,626.22	0.00	1,623,939,626.22	1,342,510,380.44	481,000.00	1,342,029,380.44

(1) Pledged bills receivables at the End of the Period

Type	Pledged amount at the End of the Period
Bank acceptance bills	199,423,555.72

As at 31 December 2022, bills with carrying amount of RMB199,423,555.72 (31 December 2021: RMB274,605,538.20) were pledged for bank acceptance bills.

(2) Endorsed or discounted bills receivables not yet mature by the date of balance sheet at the End of the Period

Type	Amount derecognized at the End of the Period	Amount not derecognized at the End of the Period
Bank acceptance bills not yet mature but already endorsed	155,767,010.57	0.00
Bank acceptance bills not yet mature but already discounted	10,283,462.46	0.00
Total	166,050,473.03	0.00

During the Period, the Group discounted RMB100,742,839.42 bank acceptance bills (Previous Period: RMB0.00) to a bank. As the main risks (such as interest rate risks) and rewards related to these bank acceptance bills were transferred to the bank, the Group derecognised the undue bank acceptance bills that had been discounted. The discounted fee was RMB0.00 (Previous Period: RMB0.00).

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Bills receivables (continued)

(3) There were no bills transferred into account receivables for non-performance by the issuer at the End of the Period.

(4) Classified according to the method of provision for bad debt

Category	Balance at the End of the Period					Balance at the End of Last Year				
	Book balance		Provision for bad debt			Book balance		Provision for bad debt		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying amount	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying amount
Provision for bad debt on individual basis	0.00	0.00	0.00	0.00	0.00	481,000.00	0.04	481,000.00	100.00	0.00
Of which:										
Bank acceptance bills	0.00	0.00	0.00	0.00	0.00	481,000.00	0.04	481,000.00	100.00	0.00
Provision for bad debt on collective basis	1,623,939,626.22	100.00	0.00	0.00	1,623,939,626.22	1,342,029,380.44	99.96	0.00	0.00	1,342,029,380.44
Of which:										
Bank acceptance bills	1,623,939,626.22	100.00	0.00	0.00	1,623,939,626.22	1,342,029,380.44	99.96	0.00	0.00	1,342,029,380.44
Total	1,623,939,626.22	100.00	0.00	0.00	1,623,939,626.22	1,342,510,380.44	100.00	481,000.00	0.04	1,342,029,380.44

Provision for bad debt on individual basis:

Name	Balance at the End of the Period				Balance at the End of Last Year			
	Book balance	Provision for bad debt	Expected credit loss rate (%)	Reason for provision made	Book balance	Provision for bad debt	Expected credit loss rate (%)	Reason for provision made
Henan Jiuzhoutong Pharmaceutical Co., Ltd. (河南九州通醫藥有限公司)	0.00	0.00	0.00	—	431,000.00	431,000.00	100.00	Not expected to be recoverable
Other customers	0.00	0.00	0.00	—	50,000.00	50,000.00	100.00	Not expected to be recoverable
Total	0.00	0.00	0.00	/	481,000.00	481,000.00	100.00	/

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3. Bills receivables *(continued)*

(5) Provision for bad debt made, recovered or reversed during the Period

	Amount of provision for bad debt
Balance at the Beginning of the Year	481,000.00
Provision for the Period	0.00
Recoveries or reversals during the Period	0.00
Write-off during the Period	481,000.00
Balance at the End of the Period	0.00

(6) Bills receivable that were actually written-off during the Period

Item	Amount written off
Bills receivable actually written off	481,000.00

4. Accounts receivables

(1) Disclosed using the aging analysis method

Aging	Balance at the End of the Period	Balance at the End of Last Year
Within 1 year		
Of which: Within 3 months (including 3 months)	2,205,972,330.41	1,717,858,455.79
4 – 6 months (including 6 months)	182,032,517.96	224,360,216.49
7 – 12 months (including 12 months)	50,151,595.15	32,712,993.46
Subtotal within 1 year:	2,438,156,443.52	1,974,931,665.74
1 – 2 years (including 2 years)	16,009,076.60	10,347,942.09
2 – 3 years (including 3 years)	1,966,631.47	3,654,202.11
Over 3 years	7,292,499.88	9,228,360.06
Subtotal	2,463,424,651.47	1,998,162,170.00
Less: Provision for bad debt	48,167,925.83	46,264,058.80
Total	2,415,256,725.64	1,951,898,111.20

According to the credit policies of the Company, the Company usually grants a credit period ranging from 30 to 90 days to its customers.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivables (continued)

(2) Classified according to the method of provision for bad debt

Category	Balance at the End of the Period					Balance at the End of Last Year				
	Book balance		Provision for bad debt			Book balance		Provision for bad debt		
	Percentage		Amount	Expected credit loss rate (%)	Carrying value	Percentage		Amount	Expected credit loss rate (%)	Carrying value
	Amount	(%)				Amount	(%)			
Provision for bad debt on individual basis	1,263,607.06	0.05	1,263,607.06	100.00	0.00	518,861.41	0.03	518,861.41	100.00	0.00
Of which:										
Due from domestic customers	1,118,861.41	0.04	1,118,861.41	100.00	0.00	518,861.41	0.03	518,861.41	100.00	0.00
Due from overseas customers	144,745.65	0.01	144,745.65	100.00	0.00	0.00	0.00	0.00	0.00	0.00
Provision for bad debt on collective basis	2,462,161,044.41	99.95	46,904,318.77	1.91	2,415,256,725.64	1,997,643,308.59	99.97	45,745,197.39	2.29	1,951,898,111.20
Of which:										
Due from domestic customers	2,178,945,713.25	88.38	42,439,135.29	1.95	2,136,506,577.96	1,595,227,516.50	79.83	38,744,144.56	2.43	1,556,483,371.94
Due from overseas customers	283,215,331.16	11.57	4,465,183.48	1.58	278,750,147.68	402,415,792.09	20.14	7,001,052.83	1.74	395,414,739.26
Total	2,463,424,651.47	100.00	48,167,925.83	1.96	2,415,256,725.64	1,998,162,170.00	100.00	46,264,058.80	2.32	1,951,898,111.20

Provision for bad debt on individual basis:

Name	Balance at the End of the Period				Balance at the End of Last Year			
	Book balance	Provision for bad debt	Expected credit loss rate (%)	Reason for making provision	Book balance	Provision for bad debt	Expected credit loss rate (%)	Reason for making provision
Total (other customers)	1,263,607.06	1,263,607.06	100.00	Not expected to be recoverable	518,861.41	518,861.41	100.00	Not expected to be recoverable

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivables (continued)

(2) Classified according to the method of provision for bad debt (continued)

Provision for bad debt on collective basis:

Item with provision on collective basis: Due from domestic customers

	Balance at the End of the Period			Balance at the End of Last Year		
	Accounts receivables	Provision for bad debt	Expected credit loss rate (%)	Accounts receivables	Provision for bad debt	Expected credit loss rate (%)
Within 3 months (including 3 months)	1,957,891,724.42	18,523,281.40	0.95	1,387,087,222.99	13,683,895.27	0.99
4 – 6 months (including 6 months)	148,162,037.45	7,393,752.45	4.99	154,113,975.73	7,684,234.86	4.99
7 – 12 months (including 12 months)	48,887,350.49	5,308,095.91	10.86	31,314,674.93	4,054,236.59	12.95
1 – 2 years	15,409,076.60	3,188,215.83	20.69	10,347,942.09	2,048,961.01	19.80
2 – 3 years	1,966,631.47	1,396,896.88	71.03	3,654,202.11	2,563,318.18	70.15
Over 3 years	6,628,892.82	6,628,892.82	100.00	8,709,498.65	8,709,498.65	100.00
Total	2,178,945,713.25	42,439,135.29	1.95	1,595,227,516.50	38,744,144.56	2.43

Item with provision on collective basis: Due from overseas customers

	Balance at the End of the Period			Balance at the End of Last Year		
	Accounts receivables	Provision for bad debt	Expected credit loss rate (%)	Accounts receivables	Provision for bad debt	Expected credit loss rate (%)
Within 3 months (including 3 months)	248,080,605.99	2,523,354.45	1.02	330,771,232.80	3,348,773.18	1.01
4 – 6 months (including 6 months)	33,870,480.51	1,804,807.97	5.33	70,246,240.76	3,511,234.20	5.00
7 – 12 months (including 12 months)	1,264,244.66	137,021.06	10.84	1,398,318.53	141,045.45	10.09
Total	283,215,331.16	4,465,183.48	1.58	402,415,792.09	7,001,052.83	1.74

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivables (continued)

(3) Provision for bad debt made, recovered or reversed during the Period

	Amount of provision for bad debt
Balance at the Beginning of the Year	46,264,058.80
Provision for the Period	4,834,056.57
Recoveries or reversals during the Period	0.00
Write-off during the Period	2,958,165.79
Others	27,976.25
Balance at the End of the Period	48,167,925.83

As at 31 December 2022 and 31 December 2021, the Company had no accounts receivables that were past due but not impaired.

(4) Accounts receivables that were actually written off during the Period

Item	Amount written off
Total (domestic customers)	2,939,327.54
Total (overseas customers)	18,838.25

(5) Top five balances of accounts receivables by debtors at the End of the Period

The total amount of the top five balances of accounts receivables by debtors at the End of the Period was RMB264,979,312.98, representing 10.76% of the total balances of accounts receivables at the End of the Period, and the corresponding aggregate amount of the balances of provision for bad debt at the End of the Period was RMB2,546,267.66.

(6) No accounts receivables of the Company has been derecognized due to the transfer of financial assets.

(7) The Company has no assets or liabilities formed by its continuous involvement of transferring accounts receivables.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

5. Prepayments

(1) Disclosure of prepayments by aging analysis

Aging	Balance at the End of the Period		Balance at the End of Last Year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	184,304,936.45	91.25	269,876,161.63	96.01
1 – 2 years	15,504,200.65	7.67	7,066,773.78	2.51
2 – 3 years	758,479.54	0.38	3,869,319.78	1.38
Over 3 years	1,418,939.64	0.70	271,092.17	0.10
Total	201,986,556.28	100.00	281,083,347.36	100.00

(2) Prepayments to units with top five balances at the End of the Period by payees of the prepayments

The total amount of prepayments with top five balances at the End of the Period by payees of the prepayments was RMB58,290,221.33, representing 28.86% of the total balance of prepayments at the End of the Period.

6. Other receivables

Item	Balance at the End of the Period	Balance at the End of Last Year
Other receivables	44,426,856.44	47,768,970.54
Total	44,426,856.44	47,768,970.54

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

(1) Other receivables

① Disclosed using the aging analysis method

Aging	Balance at the End of the Period	Balance at the End of Last Year
Within 1 year	42,561,959.29	45,413,296.74
1 – 2 years	2,586,622.29	3,642,136.16
2 – 3 years	1,924,098.17	803,194.21
Over 3 years	8,354,316.89	8,022,936.65
Subtotal	55,426,996.64	57,881,563.76
Less: Provision for bad debt	11,000,140.20	10,112,593.22
Total	44,426,856.44	47,768,970.54

② Disclosed by nature

Item	Balance at the End of the Period			Balance at the End of Last Year		
	Book balance	Provision for bad debt	Carrying amount	Book balance	Provision for bad debt	Carrying amount
Deposits under guarantee, deposits and lease expenses	6,977,985.95	2,060,125.28	4,917,860.67	5,551,394.52	1,767,930.36	3,783,464.16
Reserve fund and advances	23,459,804.51	2,834,399.09	20,625,405.42	17,316,076.03	2,251,004.95	15,065,071.08
Balance with associates	623,279.29	7,095.91	616,183.38	1,361,441.97	22,185.66	1,339,256.31
Borrowing due from external entities	5,000,000.00	5,000,000.00	0.00	5,000,000.00	5,000,000.00	0.00
Tax refund on exports	16,539,609.68	290,344.77	16,249,264.91	17,708,111.60	198,927.69	17,509,183.91
Amounts of exercised options	0.00	0.00	0.00	8,463,240.98	0.00	8,463,240.98
Others	2,826,317.21	808,175.15	2,018,142.06	2,481,298.66	872,544.56	1,608,754.10
Total	55,426,996.64	11,000,140.20	44,426,856.44	57,881,563.76	10,112,593.22	47,768,970.54

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

(1) Other receivables (continued)

③ Provision for bad debt

As at the End of the Period, there was no provision for bad debt in Step 1:

At the End of the Period, the provision for bad debt in Step 2 was as follows:

Category	Book balance	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on collective basis	49,427,744.73	10.12	5,000,888.29	44,426,856.44	
Export tax refund receivable	16,539,609.68	1.76	290,344.77	16,249,264.91	
Deposits under guarantee and security deposits and lease expenses	6,977,985.95	29.52	2,060,125.28	4,917,860.67	
Other receivables	25,910,149.10	10.23	2,650,418.24	23,259,730.86	
Total	49,427,744.73	10.12	5,000,888.29	44,426,856.44	

At the End of the Period, the provision for bad debt in Step 3 was as follows:

Category	Book balance	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on individual basis	5,999,251.91	100.00	5,999,251.91	0.00	
Other receivables	5,999,251.91	100.00	5,999,251.91	0.00	Not expected to be recoverable
Total	5,999,251.91	100.00	5,999,251.91	0.00	

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

(1) Other receivables (continued)

③ Provision for bad debt (continued)

On 31 December 2021, the provision for bad debt was as follows:

As at 31 December 2021, the provision for bad debt in Step 1 was as follows:

Category	Book balance	Expected credit loss rate over the next 12 months (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on individual basis	8,463,240.98	0.00	0.00	8,463,240.98	
Amounts of exercised options	8,463,240.98	0.00	0.00	8,463,240.98	Recoverable
Total	8,463,240.98	0.00	0.00	8,463,240.98	

As at 31 December 2021, the provision for bad debt in Step 2 was as follows:

Category	Book balance	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on collective basis	43,445,470.87	9.53	4,139,741.31	39,305,729.56	
Export tax refund receivable	17,708,111.60	1.12	198,927.69	17,509,183.91	
Deposits under guarantee and security deposits and lease expenses	5,551,394.52	31.85	1,767,930.36	3,783,464.16	
Other receivables	20,185,964.75	10.76	2,172,883.26	18,013,081.49	
Total	43,445,470.87	9.53	4,139,741.31	39,305,729.56	

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

(1) Other receivables (continued)

③ Provision for bad debt (continued)

As at 31 December 2021, the provision for bad debt in Step 3 was as follows:

Category	Book balance	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on individual basis	5,972,851.91	100.00	5,972,851.91	0.00	
Other receivables	5,972,851.91	100.00	5,972,851.91	0.00	Not expected to be recoverable
Total	5,972,851.91	100.00	5,972,851.91	0.00	

④ Provision for bad debt made, recovered or reversed during the Period

Provision for bad debt	Step 1	Step 2	Step 3	Total
	Expected credit loss over the next 12 months	Expected credit loss over the lifetime (without impairment of credit)	Expected credit loss over the lifetime (with impairment of credit)	
Balance at the Beginning of the Year	0.00	4,139,741.31	5,972,851.91	10,112,593.22
Balance at the Beginning of the Year during the Period				
— Transferred to Step 3	0.00	-42,585.00	42,585.00	0.00
Provision for the Period	0.00	853,459.84	0.00	853,459.84
Write-off during the Period	0.00	0.00	16,185.00	16,185.00
Other changes	0.00	50,272.14	0.00	50,272.14
Balance at the End of the Period	0.00	5,000,888.29	5,999,251.91	11,000,140.20

⑤ Other receivables that were actually written off during the Period

Item	Amount written off
Other receivables actually written off	16,185.00

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

(1) Other receivables (continued)

- ⑥ Top five balances of other receivables by debtors at the End of the Period

Name of entity	Nature of amount	Balance of other receivables at the End of the Period	Aging	Percentage in the total balance of other receivables at the End of the Period (%)	Balance of provision for bad debt at the End of the Period
Export tax refund	Export tax refund	16,539,609.68	Within 1 year	29.84	290,344.77
Guangzhou Galaxy Sunshine Biological Products Co., Ltd. (廣州銀河陽光生物製品有限公司)	Borrowings	5,000,000.00	Over 5 years	9.02	5,000,000.00
Customs of Wanzai of the People's Republic of China	Deposit	1,271,801.36	Within 1 year	2.29	12,718.01
Pioneer Time Investment Limited	Security deposits	821,203.87	Within 1 year	1.48	41,060.19
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Balance with associates	607,484.29	Within 1 year	1.10	6,925.32
Total		24,240,099.20		43.73	5,351,048.29

- ⑦ No accounts receivables of the Company has been derecognized due to the transfer of financial assets.
- ⑧ The Company has no assets or liabilities formed by its continuous involvement of transferring other receivables.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Inventories

(1) Inventories by types

Item	Balance at the End of the Period			Balance at the End of Last Year		
	Book balance	Provision for diminution in value	Carrying amount	Book balance	Provision for diminution in value	Carrying amount
Raw materials	489,555,276.47	32,590,551.45	456,964,725.02	428,091,886.96	11,507,835.53	416,584,051.43
Packaging materials	115,808,185.82	9,608,951.15	106,199,234.67	103,247,170.25	5,944,927.96	97,302,242.29
Work in progress	398,627,623.42	49,094,775.32	349,532,848.10	331,128,522.51	2,377,922.65	328,750,599.86
Finished goods	970,724,988.80	19,705,996.51	951,018,992.29	720,783,765.61	25,085,777.21	695,697,988.40
Sub-contracting materials	2,318,531.50	0.00	2,318,531.50	2,251,074.26	0.00	2,251,074.26
Low-value consumables	58,990,548.86	357,982.35	58,632,566.51	50,310,247.98	67,356.68	50,242,891.30
Goods in transit	32,420,142.83	0.00	32,420,142.83	4,419,812.79	0.00	4,419,812.79
Consumable biological assets	13,692,837.04	0.00	13,692,837.04	12,342,303.96	0.00	12,342,303.96
Proprietary semi-finished goods	90,070,112.16	15,508,438.00	74,561,674.16	55,669,549.18	32,545.30	55,637,003.88
Total	2,172,208,246.90	126,866,694.78	2,045,341,552.12	1,708,244,333.50	45,016,365.33	1,663,227,968.17

(2) Provision for diminution in value of inventories

Item	Balance at the Beginning of the Year	Increase during the Period		Decrease during the Period		Balance at the End of the Period
		Provision	Others	Reversal or write-off	Others	
Raw materials	11,507,835.53	21,861,106.82	0.00	778,390.90	0.00	32,590,551.45
Packaging materials	5,944,927.96	7,971,336.04	0.00	4,307,312.85	0.00	9,608,951.15
Work in progress	2,377,922.65	46,716,852.67	0.00	0.00	0.00	49,094,775.32
Finished goods	25,085,777.21	24,126,898.83	0.00	29,506,679.53	0.00	19,705,996.51
Low-value consumables	67,356.68	301,721.54	0.00	11,095.87	0.00	357,982.35
Proprietary semi-finished goods	32,545.30	15,544,120.78	0.00	68,228.08	0.00	15,508,438.00
Total	45,016,365.33	116,522,036.68	0.00	34,671,707.23	0.00	126,866,694.78

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Inventories (continued)

(2) Provision for diminution in value of inventories (continued)

Item	Basis for determination of net realizable value/remaining consideration and costs to be incurred	Reason for reversal or write-off of provision for diminution in value of inventories/provision for impairment in contract performance cost for the Period
Raw materials	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	Processing, sale of finished goods and discard
Packaging materials	The estimated selling price less related taxes	Discard
Work in progress	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	–
Finished goods	The estimated selling price less the estimated selling expenses and related taxes	Sale and discard
Low-value consumables	The estimated selling price less related taxes	Discard
Proprietary semi-finished goods	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	Sale and discard

(3) No borrowing costs had been capitalised in the balance of inventories of the Group at the end of the Period.

8. Other current assets

Item	Balance at the End of the Period	Balance at the End of Last Year
Input VAT pending deduction/attestation	1,709,140.80	1,949,395.18
Remaining VAT credit	12,431,674.23	35,453,378.46
Advance payment of income tax	15,299,512.95	20,082,816.84
Cash management	92,815,738.44	0.00
Cost of return receivable	12,043,428.52	0.00
Other	2,603,785.14	139,035.68
Total	136,903,280.08	57,624,626.16

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Long-term equity investments

Investee	Change during the Period							Balance at the End of the Period	Balance of provision for impairment at the End of the Period		
	Balance at the Beginning of the Year	Acquired/ additional investment	Increase in investment	Investment profit and loss under equity method	Adjustment in other comprehensive income	Other equity changes	Cash dividend or profit distribution declared			Provision for impairment	Others
Associates	1,200,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,200,000.00	0.00
Livzon Medical Electronic Equipment (Plant) Co., Ltd. (麗珠集團麗珠醫用電子設備有限公司)	78,029,592.18	0.00	0.00	15,055,174.10	0.00	0.00	0.00	0.00	0.00	93,084,766.28	0.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	1,222,398.89	0.00	0.00	274,196.51	0.00	0.00	0.00	0.00	0.00	1,496,595.40	0.00
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	15,154,709.96	0.00	0.00	-1,387,449.90	0.00	0.00	0.00	0.00	0.00	13,767,260.06	0.00
AkCytte Therapeutics Inc	14,886,838.46	0.00	0.00	-983,161.97	0.00	0.00	0.00	0.00	0.00	13,903,676.49	0.00
L&L Biopharma, Co., Ltd. (上海健信生物醫藥科技有限公司)	83,155,557.16	0.00	0.00	-22,889,193.47	527,718.52	497,687.40	0.00	0.00	0.00	61,291,769.61	0.00
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	16,028,488.48	0.00	0.00	5,826.20	0.00	0.00	0.00	0.00	0.00	16,034,314.68	0.00
Aetio Biotherapy, Inc.	17,094,383.33	0.00	0.00	-4,974,856.94	0.00	0.00	0.00	0.00	0.00	12,119,526.39	0.00
Henan Province Jomcare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	67,908,607.98	30,000,000.00	0.00	-5,105,198.56	0.00	0.00	0.00	0.00	0.00	92,803,409.42	0.00
Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd. (江蘇新元素醫藥科技有限公司)	751,549,763.92	0.00	0.00	82,286,589.62	4,723,927.54	0.00	111,980,000.00	0.00	0.00	726,580,281.08	0.00
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	19,937,909.64	0.00	0.00	-1,080,182.56	0.00	0.00	0.00	0.00	0.00	18,857,727.08	0.00
Beijing Infinite Intelligence Pharmaceutical Technology Co., Ltd. (北京英飛智藥科技有限公司)	0.00	6,000,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,000,000.00	0.00
Shenzhen KT life technology Co., Ltd. (深圳康體生物醫藥科技有限公司)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	1,066,168,250.00	36,000,000.00	0.00	61,201,743.03	5,251,646.06	497,687.40	111,980,000.00	0.00	0.00	1,057,139,326.49	0.00

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Long-term equity investments (continued)

Note 1: On 26 November 2022, Zhuhai Livzon Pharmaceutical Equity Investment Management Co., Ltd. (珠海市麗珠醫藥股權投資管理有限公司), the subsidiary of the Company ("Equity Investment Company") entered into the Shareholder Agreement with Shenzhen KT Life technology Co., Ltd. (深圳康體生物醫藥科技有限公司)("KT Life"), Equity Investment Company contributed a total of RMB10,000,000 to hold 3.1746% equity of KT Life (of which the first phase contribution is RMB6,000,000). According to the Shareholder Agreement and the provisions of the articles of association, Equity Investment Company shall appoint one director to KT Life. Since the Equity Investment Company can have a significant impact on KT Life, the investment in KT Life will be accounted as long-term equity investment.

10. Other equity instrument investments

Item	Balance at the End of the Period	Balance at the End of Last Year
Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)	158,400,000.00	164,395,200.00
GLOBAL HEALTH SCIENCE	271,980,388.15	235,133,216.46
Nextech V Oncology S.C.S., SICAV-SIF	23,996,121.32	30,667,263.04
Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物醫藥(上海)有限公司)	30,513,209.27	59,999,953.41
ELICIO THERAPEUTICS, INC.	34,823,014.36	31,878,510.16
CARISMA THERAPEUTICS, INC.	34,821,295.50	31,876,936.63
Beijing Luzhu Biotechnology Co., Ltd. (北京綠竹生物技術股份有限公司)	53,654,738.60	41,944,015.67
Shanghai Keentai Biotechnology Co., Ltd. (上海科恩泰生物醫藥科技有限公司)	12,000,000.00	12,000,000.00
Other	62,086,504.21	22,019,449.00
Total	682,275,271.41	629,914,544.37

As the aforesaid project is a long-term investment that the Company plans to hold for strategic purposes, the Company designates it as a financial asset measured at fair value through other comprehensive income.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

10. Other equity instrument investments *(continued)*

Item	Dividend income recognized for the Period	Cumulative gains	Cumulative losses	Amount transferred from other comprehensive income to retained earnings	Reason for transfer
GLOBAL HEALTH SCIENCE	3,956,817.66	0.00	0.00	0.00	—
Nextech V Oncology S.C.S., SICAV-SIF	1,053,846.01	0.00	0.00	0.00	—
Other	30,000.00	0.00	0.00	0.00	—
Total	5,040,663.67	0.00	0.00	0.00	

11. Fixed assets

Item	Balance at the End of the Period	Balance at the End of Last Year
Fixed assets	3,967,614,462.32	3,669,728,093.97
Disposal of fixed assets	0.00	0.00
Total	3,967,614,462.32	3,669,728,093.97

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Fixed assets (continued)

(1) Fixed assets

① Status of fixed assets

Item	Plant and building	Machinery and equipment	Motor vehicles	Electronic devices and others	Total
I. Original book value:					
1. Balance at the Beginning of the Year	3,143,917,620.36	3,217,469,856.34	75,379,800.24	496,838,861.98	6,933,606,138.92
2. Addition during the Period	334,704,951.56	391,181,366.97	4,824,826.25	70,467,103.16	801,178,247.94
(1) Acquisition	58,018,623.91	85,054,964.03	3,643,915.73	42,423,400.76	189,140,904.43
(2) Construction in progress transferred	276,686,327.65	306,126,402.94	0.00	5,682,842.39	588,495,572.98
(3) Others	0.00	0.00	1,180,910.52	22,360,860.01	23,541,770.53
3. Decrease during the Period	12,507,293.20	84,899,404.48	4,062,416.13	13,591,034.09	115,060,147.90
(1) Disposal or written-off	12,507,293.20	84,899,404.48	4,062,416.13	13,591,034.09	115,060,147.90
4. Balance at the End of the Period	3,466,115,278.72	3,523,751,818.83	76,142,210.36	553,714,931.05	7,619,724,238.96
II. Accumulated depreciation					
1. Balance at the Beginning of the Year	1,218,610,625.65	1,661,188,155.68	56,530,426.24	280,067,297.49	3,216,396,505.06
2. Addition during the Period	153,164,828.50	253,012,173.26	7,583,382.94	67,484,412.29	481,244,796.99
(1) Provision	153,164,828.50	253,012,173.26	6,416,472.81	67,432,201.69	480,025,676.26
(2) Others	0.00	0.00	1,166,910.13	52,210.60	1,219,120.73
3. Decrease during the Period	4,380,757.75	69,872,985.95	3,813,423.61	10,224,222.96	88,291,390.27
(1) Disposal or written-off	4,380,757.75	69,872,985.95	3,813,423.61	10,224,222.96	88,291,390.27
4. Balance at the End of the Period	1,367,394,696.40	1,844,327,342.99	60,300,385.57	337,327,486.82	3,609,349,911.78
III. Provision for impairment					
1. Balance at the Beginning of the Year	21,409,013.65	24,890,943.73	41,578.65	1,140,003.86	47,481,539.89
2. Additions during the Period	0.00	137,062.76	0.00	24,878.03	161,940.79
(1) Provision	0.00	137,062.76	0.00	24,878.03	161,940.79
3. Amount decrease during the Period	90,292.62	4,751,363.04	41,578.65	381.51	4,883,615.82
(1) Disposal or written-off	90,292.62	4,751,363.04	41,578.65	381.51	4,883,615.82
4. Balance at the End of the Period	21,318,721.03	20,276,643.45	0.00	1,164,500.38	42,759,864.86
IV. Carrying amount					
1. Carrying amount at the End of the Period	2,077,401,861.29	1,659,147,832.39	15,841,824.79	215,222,943.85	3,967,614,462.32
2. Carrying amount at the Beginning of the Year	1,903,897,981.06	1,531,390,756.93	18,807,795.35	215,631,560.63	3,669,728,093.97

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Fixed assets (continued)

(1) Fixed assets (continued)

- ② Temporary idled fixed assets

Item	Original book value	Accumulated depreciation	Provision for impairment	Carrying amount	Remarks
Machinery and equipment	9,750,382.58	8,948,779.30	0.00	801,603.28	
Electronic devices and others	148,178.85	130,586.42	0.00	17,592.43	
Total	9,898,561.43	9,079,365.72	0.00	819,195.71	

- ③ The Group has no fixed assets leased under financial leasing.

- ④ Fixed assets leased out under operating leases

Item	Carrying amount
Plant and building	796,493.29

- ⑤ Fixed assets pending for certificate of ownership

Item	Carrying amount	Reasons for pending for certificate of ownership
Plant and building	147,852,401.83	Procedure in progress

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Construction in progress

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Construction in progress	602,442,281.75	554,575,587.48
Construction supplies	0.00	0.00
Total	602,442,281.75	554,575,587.48

(1) Construction in progress

① Breakdown of construction in progress

Item	Balance at the End of the Period			Balance at the End of Last Year		
	Book balance	Provision for impairment	Net carrying amount	Book balance	Provision for impairment	Net carrying amount
Guangda New Factory Project (光大新廠項目)	360,963,893.27	0.00	360,963,893.27	179,745,064.48	0.00	179,745,064.48
Fuxing Company Phase I & II Projects and others (福興公司一、二期項目及其他)	38,842,449.73	0.00	38,842,449.73	36,580,114.83	0.00	36,580,114.83
Project of Shijiao New Factory (石角新廠項目)	12,409,895.73	0.00	12,409,895.73	61,845,397.73	0.00	61,845,397.73
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	70,972,186.23	0.00	70,972,186.23	19,579,452.17	0.00	19,579,452.17
Construction Project for Microsphere Workshop (including Gose) of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間(含戈舍)建設項目)	39,976,590.91	0.00	39,976,590.91	15,616,651.12	0.00	15,616,651.12
P06 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P06 建設項目)	180,053.79	0.00	180,053.79	83,020,966.01	0.00	83,020,966.01
Project of lyophilized powder injection workshop (凍乾粉針車間項目)	1,157,559.47	0.00	1,157,559.47	70,673,332.62	0.00	70,673,332.62
P09 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P09 建設項目)	0.00	0.00	0.00	54,924,595.61	0.00	54,924,595.61
P04/P05 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P04/P05 建設項目)	1,560,960.52	0.00	1,560,960.52	257,441.66	0.00	257,441.66
Technology transformation project for Microsphere Phase II of Shanghai Livzon (上海麗珠微球二期技改項目)	34,677,843.69	0.00	34,677,843.69	10,123,776.54	0.00	10,123,776.54
Others	41,870,188.87	169,340.46	41,700,848.41	22,378,135.17	169,340.46	22,208,794.71
Total	602,611,622.21	169,340.46	602,442,281.75	554,744,927.94	169,340.46	554,575,587.48

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Construction in progress (continued)

(1) Construction in progress (continued)

② Changes of significant construction in progress

Name of Project	Balance	Additions during the Period	Transferred to fixed assets	Other deductions	Accumulated amount of capitalized interest	Of which: Amount of interest capitalized for the Period	Interest capitalization rate for the Period (%)	Balance at the End of the Period
	at the Beginning of the Year							
Guangda New Factory Project (光大新廠項目)	179,745,064.48	181,218,828.79	0.00	0.00	0.00	0.00	0.00	360,963,893.27
Fuxing Company Phase I & II Projects and others (福興公司一、二期項目及其他)	36,580,114.83	77,051,711.32	74,789,376.42	0.00	0.00	0.00	0.00	38,842,449.73
Project of Shijiao New Factory (石角新廠項目)	61,845,397.73	30,318,359.71	79,753,861.71	0.00	0.00	0.00	0.00	12,409,895.73
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	19,579,452.17	70,984,195.20	19,591,461.14	0.00	0.00	0.00	0.00	70,972,186.23
Construction Project for Microsphere Workshop (including Gose) of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間(含戈舍)建設項目)	15,616,651.12	29,308,744.91	4,948,805.12	0.00	0.00	0.00	0.00	39,976,590.91
P06 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P06 建設項目)	83,020,966.01	7,323,839.40	90,164,751.62	0.00	0.00	0.00	0.00	180,053.79
Project of lyophilized powder injection workshop (凍乾粉針車間項目)	70,673,332.62	49,803,364.24	119,319,137.39	0.00	0.00	0.00	0.00	1,157,559.47
P09 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P09 建設項目)	54,924,595.61	99,318,116.09	154,242,711.70	0.00	0.00	0.00	0.00	0.00
P04/P05 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P04/P05 建設項目)	257,441.66	1,303,518.86	0.00	0.00	0.00	0.00	0.00	1,560,960.52
Technology transformation project for Microsphere Phase II of Shanghai Livzon (上海麗珠微球二期技改項目)	10,123,776.54	24,554,067.15	0.00	0.00	0.00	0.00	0.00	34,677,843.69
Others	22,378,135.17	70,700,455.30	45,685,467.88	5,522,933.72	0.00	0.00	0.00	41,870,188.87
Total	554,744,927.94	641,885,200.97	588,495,572.98	5,522,933.72	0.00	0.00	0.00	602,611,622.21

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Construction in progress (continued)

(1) Construction in progress (continued)

② Changes of significant construction in progress (continued)

Name of Project	Budgeted amount	Percentage of accumulated cost incurred over budgeted amount (%)	Construction progress (%)	Sources of funds
Guangda New Factory Project (光大新廠項目)	646,000,000.00	55.88	55.00	Self-funding
Fuxing Company Phase I & II Projects and others (福興公司一、二期項目及其他)	378,090,800.00	87.45	85.00	Self-funding
Project of Shijiao New Factory (石角新廠項目)	377,005,000.00	89.92	90.00	Self-funding and raised funds
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	306,558,388.48	61.17	60.00	Self-funding
Construction Project for Microsphere Workshop (including Gose) of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間(含戈舍)建設項目)	262,445,000.00	65.12	65.00	Self-funding and raised funds
P06 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P06 建設項目)	117,710,000.00	95.02	95.00	Self-funding
Project of lyophilized powder injection workshop (凍乾粉針車間項目)	143,500,000.00	95.11	95.00	Self-funding and raised funds
P09 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P09 建設項目)	296,580,000.00	100.00	100.00	Self-funding
P04/P05 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P04/P05 建設項目)	126,880,000.00	1.23	1.00	Self-funding
Technology transformation project for Microsphere Phase II of Shanghai Livzon (上海麗珠微球二期技改項目)	40,500,000.00	85.62	85.00	Self-funding
Others	—	—	—	Self-funding
Total	2,695,269,188.48	—	—	—

Other deduction mainly refers to transfer of long-term deferred expenses.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

13. Right-of-use assets

Item	Plant and building	Total
I. Original book value:		
1. Balance at the Beginning of the Year	31,740,896.48	31,740,896.48
2. Addition during the Period	29,002,437.68	29,002,437.68
(1) Leasing	29,002,437.68	29,002,437.68
3. Decrease during the Period	17,984,378.18	17,984,378.18
4. Balance at the End of the Period	42,758,955.98	42,758,955.98
II. Accumulated depreciation		
1. Balance at the Beginning of the Year	17,152,573.88	17,152,573.88
2. Addition during the Period	21,761,807.38	21,761,807.38
(1) Provision	21,761,807.38	21,761,807.38
3. Decrease during the Period	17,984,378.18	17,984,378.18
4. Balance at the End of the Period	20,930,003.08	20,930,003.08
III. Provision for impairment		
1. Balance at the Beginning of the Year	0.00	0.00
2. Addition during the Period	0.00	0.00
3. Decrease during the Period	0.00	0.00
4. Balance at the End of the Period	0.00	0.00
IV. Carrying amount		
1. Carrying amount at the End of the Period	21,828,952.90	21,828,952.90
2. Carrying amount at the Beginning of the Year	14,588,322.60	14,588,322.60

During the Period, the Company recognized lease expenses related to short-term leases and the leases of low-value assets of RMB2.1839 million.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Intangible assets

(1) Status of Intangible assets

Item	Land use right	Patent and technical know-how	Software	Trademark rights	Others	Total
I. Original book value						
1. Balance at the Beginning of the Year	267,839,618.26	259,797,013.72	61,849,429.73	28,716.98	10,985,294.53	600,500,073.22
2. Additions for the Period	28,488,823.32	407,971,325.08	11,234,577.69	0.00	0.00	447,694,726.09
(1) Acquisition	28,488,823.32	400,000.00	11,234,577.69	0.00	0.00	40,123,401.01
(2) Internal R&D	0.00	407,571,325.08	0.00	0.00	0.00	407,571,325.08
3. Decrease for the Period	0.00	0.00	0.00	0.00	0.00	0.00
4. Balance at the End of the Period	296,328,441.58	667,768,338.80	73,084,007.42	28,716.98	10,985,294.53	1,048,194,799.31
II. Accumulated amortization						
1. Balance at the Beginning of the Year	87,279,651.56	194,460,431.65	41,681,441.05	24,196.55	5,584,191.37	329,029,912.18
2. Additions for the Period	5,591,564.63	137,910,139.36	5,935,855.48	471.72	1,098,529.45	150,536,560.64
(1) Provision	5,591,564.63	137,910,139.36	5,935,855.48	471.72	1,098,529.45	150,536,560.64
3. Decrease for the Period	0.00	0.00	0.00	0.00	0.00	0.00
4. Balance at the End of the Period	92,871,216.19	332,370,571.01	47,617,296.53	24,668.27	6,682,720.82	479,566,472.82
III. Provision for impairment						
1. Balance at the Beginning of the Year	981,826.94	10,209,166.76	0.00	0.00	0.00	11,190,993.70
2. Additions for the Period	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease for the Period	0.00	0.00	0.00	0.00	0.00	0.00
4. Balance at the End of the Period	981,826.94	10,209,166.76	0.00	0.00	0.00	11,190,993.70
IV. Carrying amount						
1. Carrying amount at the End of the Period	202,475,398.45	325,188,601.03	25,466,710.89	4,048.71	4,302,573.71	557,437,332.79
2. Carrying amount at the Beginning of the Year	179,578,139.76	55,127,415.31	20,167,988.68	4,520.43	5,401,103.16	260,279,167.34

The proportion of intangible assets created due to the internal R&D in the balance of intangible assets at the End of the Period is 44.58%.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Intangible assets (Continued)

(1) Status of Intangible assets (Continued)

On the balance sheet date, the Company engaged an appraiser to conduct impairment test on biotechnology carried forward to intangible assets during the Period and adopted the asset group related to such biotechnology to estimate the present value of the future cash flow when estimating the recoverable amount of the investment cost. As tested, such asset group did not experience any impairment.

The estimated future cash flow of the asset group is calculated according to the five-year financial budget plan made by the management, and the cash flows in the years beyond the five-year budget plan is zero.

Key assumptions of discounted future cash flow for impairment test are as follows:

For the calculation of estimated present value of future cash flow of the asset group related to the biotechnology, key assumptions are a gross profit margin of 84.50% – 91.50% and a business revenue growth rate of -93% ~ 71% as well as a cash flow discount rate of 15.00%. The management took into account historical conditions and predictions for future market development in making above assumptions.

(2) Intangible assets pending for certificates of ownership

Item	Carrying amount	Reasons for pending for certificate of ownership
Land use rights	4,012,089.17	Procedure in progress

(3) Notes to intangible assets

The land use rights represent the state-owned land use rights obtained by the Company in accordance with PRC laws in China, and the term of grant will be 50 years commencing from the date of obtaining the land use rights.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Development Expenditure

Item	Balance at the Beginning of the Year	Increase in the Period		Decrease in the Period		Balance at the End of the Period
		Internal development expenditure	Other increases	Recognized as intangible assets	Recognized in profit and loss for current period	
Biologics	527,275,067.73	92,785,310.25	0.00	381,832,741.41	0.00	238,227,636.57
Chemical drug preparation	47,224,506.69	9,241,393.10	0.00	25,738,583.67	0.00	30,727,316.12
Total	574,499,574.42	102,026,703.35	0.00	407,571,325.08	0.00	268,954,952.69

Item	Point of time for commencement of capitalization	Specific basis for capitalization	Progress of research and development at the End of the Period
Chemical drug preparation, biologics	Clinical trial	Obtain approval for clinical trial and evaluated by the Company	Clinical stage

16. Goodwill

(1) Original book value of goodwill

Name of investee or matter from which goodwill arose	Balance at the Beginning of the Year	Increase in the Period		Decrease in the Period		Balance at the End of the Period
		Arose from business combination	Others	Disposal	Others	
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	47,912,269.66	0.00	0.00	0.00	0.00	47,912,269.66
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	13,863,330.24	0.00	0.00	0.00	0.00	13,863,330.24
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興製藥有限公司)	46,926,155.25	0.00	0.00	0.00	0.00	46,926,155.25
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	7,271,307.03	0.00	0.00	0.00	0.00	7,271,307.03
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	2,045,990.12	0.00	0.00	0.00	0.00	2,045,990.12
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	3,492,752.58	0.00	0.00	0.00	0.00	3,492,752.58
Total	121,511,804.88	0.00	0.00	0.00	0.00	121,511,804.88

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Goodwill (continued)

(2) Provision for impairment of goodwill

Name of investee or matter from which goodwill arose	Balance at	Increase in the Period		Decrease in the Period		Balance at the End of the Period
	the Beginning of the Year	Provision	Others	Disposal	Others	
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	11,200,000.00	0.00	0.00	0.00	0.00	11,200,000.00
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	7,271,307.03	0.00	0.00	0.00	0.00	7,271,307.03
Total	18,471,307.03	0.00	0.00	0.00	0.00	18,471,307.03

Goodwill of the Company arose from its business combination involving enterprises not under common control in previous years.

On the balance sheet date, the Company conducted impairment test on goodwill and adopted the asset groups related to goodwill to estimate the present value of the future cash flow when estimating the recoverable amount of the investment cost.

The estimated future cash flow of asset groups is calculated according to the five-year financial budget plan made by the management, the cash flows in the years beyond the five-year budget plan remain stable.

Key assumptions of discounted future cash flow for goodwill impairment test are as follows:

For the calculation of estimated present value of future cash flow of the asset groups related to goodwill of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), key assumptions are a gross margin of 82.19%-83.33% and a business revenue growth rate of 0~7.83% as well as a cash flow discount rate of 14.72%. The management took into account historical conditions and predictions for future market development in making the above assumptions.

For the calculation of estimated present value of future cash flow of the asset groups related to goodwill of Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司), key assumptions are a gross margin of 49.89%-51.73% and a business revenue growth rate of -17.58%~14.15% as well as a cash flow discount rate of 15.15%. The management took into account historical conditions and predictions for future market development in making the above assumptions.

For the calculation of estimated present value of future cash flow of the asset groups related to goodwill of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司), key assumptions are a gross margin of 63.43%-64.44% and a business revenue growth rate of 0~11.80% as well as a cash flow discount rate of 15.04%. The management took into account historical conditions and predictions for future market development in making above assumptions.

As tested, the management of the Company expects that no impairment provision is needed during the Reporting Period.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Long-term deferred expenses

Item	Balance at the Beginning of the Year	Increase during the Period	Decrease during the Period		Balance at the End of the Period
			Amortisation for the Period	Other decrease	
Renovation costs of offices	26,599,587.46	9,114,501.74	3,335,902.51	212,648.78	32,165,537.91
Renovation costs of plants	74,731,372.11	12,756,380.14	11,032,752.63	0.00	76,454,999.62
Resins and fillers	11,991,390.44	18,577,212.39	13,898,454.07	9,100.00	16,661,048.76
License fee	12,777,758.86	7,482,288.10	3,326,680.49	0.00	16,933,366.47
Others	3,810,412.73	3,470,596.92	1,712,438.44	0.00	5,568,571.21
Total	129,910,521.60	51,400,979.29	33,306,228.14	221,748.78	147,783,523.97

18. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets and deferred income tax liabilities without offsetting

Item	Balance at the End of the Period		Balance at the End of Last Year	
	Deductible/ taxable temporary difference	Deferred income tax assets/liabilities	Deductible/ taxable temporary difference	Deferred income tax assets/liabilities
Deferred income tax assets:				
Provision for impairment of assets	181,547,688.44	28,133,510.33	191,603,446.21	30,344,548.62
Accrued expenses	306,001,455.99	46,091,088.59	184,336,656.34	27,892,985.40
Deductible losses	362,750,684.85	54,412,602.73	409,874,264.86	63,094,665.02
Deferred income	235,172,182.68	35,291,827.40	241,367,475.43	36,223,121.32
Unrealized gains from intra-company transactions	438,341,786.22	65,724,673.58	377,968,679.83	56,740,686.84
Share incentive costs	97,754,734.72	14,666,022.88	72,224,018.66	10,836,828.87
Changes in fair value	7,253,219.37	1,227,578.76	6,918,505.67	1,158,336.82
Other deductible temporary difference	233,331,423.09	34,999,713.47	176,023,429.17	26,403,514.38
Subtotal	1,862,153,175.36	280,547,017.74	1,660,316,476.17	252,694,687.27
Deferred income tax liabilities:				
Valuation of financial instruments held for trading and derivative financial instruments	19,340,819.45	3,077,820.67	18,105,558.19	2,935,580.59
Changes in fair value of other equity instruments through other comprehensive income	198,691,765.50	32,764,885.31	176,694,184.68	31,294,171.24
Accelerated depreciation of fixed assets	937,950,653.10	144,264,310.18	752,180,706.08	114,114,492.09
Unrealized gains from intra-company transactions	56,940,000.00	8,541,000.00	56,940,000.00	8,541,000.00
Subtotal	1,212,923,238.05	188,648,016.16	1,003,920,448.95	156,885,243.92

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

18. Deferred income tax assets and deferred income tax liabilities *(continued)*

(2) Breakdown of deductible temporary difference and deductible losses of unrecognized deferred income tax assets

Item	Balance at the End of the Period	Balance at the End of Last Year
Deductible temporary difference	234,690,877.06	151,223,839.16
Deductible losses	2,744,015,699.55	1,332,176,863.60
Total	2,978,706,576.61	1,483,400,702.76

(3) Deductible losses of unrecognized deferred income tax assets will expire in the following years

Year	Balance at the End of the Period	Balance at the End of Last Year	Remarks
2022	0.00	128,253,709.00	
2023	176,728,053.24	176,728,053.24	
2024	383,514,201.98	383,514,201.98	
2025	249,350,933.70	249,350,933.70	
2026	373,305,346.92	373,305,346.92	
2027	1,452,004,008.76	0.00	
Indefinite	109,113,154.95	21,024,618.76	
Total	2,744,015,699.55	1,332,176,863.60	

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19. Other non-current assets

Item	Balance at the End of the Period	Balance at the End of Last Year
Remaining VAT credit	3,338,552.19	56,384,552.60
Prepayment for acquisition of project and equipment	185,911,153.75	324,600,274.91
Prepayment for acquisition of technical know-how	415,000.00	63,368,017.61
Total	189,664,705.94	444,352,845.12

20. Short-term loans

(1) Classification of short-term loans

Item	Balance at the End of the Period	Balance at the End of Last Year
Loans on credit	1,608,775,000.03	1,191,402,152.77
Loans on guarantee	13,464,859.86	851,645,870.94
Total	1,622,239,859.89	2,043,048,023.71

For details of guarantees, please refer to Note X. 5(4) Related party guarantees.

(2) The Company has no overdue but outstanding short-term loans.

21. Financial liabilities held for trading

Item	Balance at the End of the Period	Balance at the End of Last Year
Financial liabilities held for trading	710,034.43	143,302.24
Of which:		
Derivative financial liabilities	710,034.43	143,302.24
Total	710,034.43	143,302.24

Derivative financial liabilities represent foreign currency forward contracts, losses from unexpired contracts measured at fair value was recognised as financial liabilities held for trading at balance sheet date.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Bills payables

Type	Balance at the End of the Period	Balance at the End of Last Year
Bank acceptance bills	1,007,745,986.84	1,026,619,858.93

The Company has no due but unpaid bills payables for the Period.

23. Accounts payables

Item	Balance at the End of the Period	Balance at the End of Last Year
Within 3 months (including 3 months)	485,931,907.14	569,811,748.29
4 – 6 months (including 6 months)	144,374,043.98	78,398,915.35
7 – 12 months (including 12 months)	110,041,689.77	93,407,857.60
1 – 2 years (including 2 years)	86,643,154.37	30,816,426.65
Over 2 years	27,285,665.35	18,244,753.40
Total	854,276,460.61	790,679,701.29

As at the End of the Period, there was no significant accounts payables aged over 1 year.

24. Contract liabilities

Item	Balance at the End of the Period	Balance at the End of Last Year
Within 1 year	194,492,354.24	144,546,813.74
Over 1 year	31,692,701.27	23,249,955.08
Total	226,185,055.51	167,796,768.82

As at the End of the Period, there was no significant contract liabilities aged over 1 year; the amount of income recognized during the Period which was included in the carrying amount of the contract liabilities at the Beginning of the Year is RMB134,319,862.10.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Employee benefits payables

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Short-term remuneration	295,479,547.19	1,469,348,027.22	1,415,513,011.95	349,314,562.46
Post-resignation benefits – defined contribution plans	22,203.70	102,782,682.68	102,769,131.68	35,754.70
Dismissal benefits	1,282,742.00	1,781,814.83	1,781,814.83	1,282,742.00
Total	296,784,492.89	1,573,912,524.73	1,520,063,958.46	350,633,059.16

(1) Short-term remuneration

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Salaries, bonuses, allowances and subsidies	229,101,688.95	1,259,041,037.13	1,212,893,622.90	275,249,103.18
Employee welfare	1,029,292.11	53,934,012.56	53,473,829.00	1,489,475.67
Social insurance fees	45,696.76	39,458,213.52	38,825,692.78	678,217.50
Including:				
1. Medical insurance fees	45,543.46	36,510,908.97	35,878,463.83	677,988.60
2. Work-related injury insurance fees	153.30	2,076,510.94	2,076,435.34	228.90
3. Maternity insurance fees	0.00	870,793.61	870,793.61	0.00
Housing provident fund	235,048.00	42,531,699.04	42,032,034.64	734,712.40
Labour union fees and employee education fees	102,349.99	3,345,163.78	3,322,362.63	125,151.14
Special funds of the share ownership scheme	64,965,471.38	71,037,901.19	64,965,470.00	71,037,902.57
Total	295,479,547.19	1,469,348,027.22	1,415,513,011.95	349,314,562.46

(2) Defined contribution plan

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Post-resignation benefits	22,203.70	102,782,682.68	102,769,131.68	35,754.70
Including:				
1. Basic pension insurance fees	21,315.50	99,643,518.74	99,630,509.84	34,324.40
2. Unemployment insurance fees	888.20	3,139,163.94	3,138,621.84	1,430.30
Total	22,203.70	102,782,682.68	102,769,131.68	35,754.70

The Company participates in pension insurance and unemployment insurance plans established by the government in accordance with relevant requirements. According to the plans, the Company makes contributions to these plans in accordance with relevant requirements of the local government. Save for the above contributions, the Company no longer undertakes further payment obligation. The corresponding cost is charged to the profit or loss for the current period or the cost of relevant assets when it occurs.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

26. Taxes payables

Taxes	Balance at the End of the Period	Balance at the End of Last Year
Value added tax	127,009,088.10	44,337,454.51
Urban maintenance and construction tax	10,878,607.42	4,802,713.91
Enterprise income tax	92,568,473.27	97,452,600.10
Property tax	7,507,456.80	1,716,303.78
Land use tax	1,946,532.10	815,872.35
Individual income tax	5,312,337.58	6,647,280.12
Stamp duty	2,094,858.58	460,894.13
Education surcharges	7,214,068.18	2,945,205.26
Flood prevention fees	20,300.76	20,300.76
Others	964,764.94	1,186,627.07
Total	255,516,487.73	160,385,251.99

27. Other payables

Item	Balance at the End of the Period	Balance at the End of Last Year
Dividends payable	12,252,074.84	6,951,984.46
Other payables	2,958,396,020.53	2,409,888,983.64
Total	2,970,648,095.37	2,416,840,968.10

(1) Dividends payable

Item	Balance at the End of the Period	Balance at the End of Last Year
Dividends on ordinary shares	20,174.46	20,174.46
Qingyuan Xinbeijiang (Group) Company (清遠新北江企業(集團)公司)	1,200,710.00	1,200,710.00
Other legal persons and individual shares of subsidiaries	6,682,964.50	3,311,300.00
Staff shares of subsidiaries	4,348,225.88	2,419,800.00
Total	12,252,074.84	6,951,984.46

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Other payables (continued)

(1) Dividends payable (continued)

Important dividends payable outstanding over 1 year:

Name of shareholder	Amount of dividends payable	Reason for non-payment
Qingyuan Xinbeijiang (Group) Company (清遠新北江企業(集團)公司)	1,200,710.00	Not yet paid
Other legal persons and individual shares of subsidiaries	3,311,300.00	Not yet paid
Staff shares of subsidiaries	2,419,800.00	Not yet paid
Total	6,931,810.00	—

(2) Other payables

Item	Balance at the End of the Period	Balance at the End of Last Year
Office expenses	69,245,979.89	66,336,710.07
Deposits under guarantees	78,934,707.33	74,812,102.32
Business promotion expenses	1,707,936,918.74	1,356,176,259.20
Technology transfer funds	10,000,000.00	10,000,000.00
Balance with associates	16,172,525.49	9,908,703.16
Accrued expenses	1,025,579,722.86	860,353,775.21
Others	50,526,166.22	32,301,433.68
Total	2,958,396,020.53	2,409,888,983.64

The obligations of repurchasing restricted shares of the Directors, the senior management and their spouses amounted to RMB0.00 at the End of the Period.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Other payables (continued)

(2) Other payables (continued)

Of which, the breakdown of accrued expenses were as follows:

Item	Balance at the End of the Period	Balance at the End of Last Year	Reason for outstanding balance at the End of the Period
Utilities expenses	17,754,690.11	17,799,443.58	Not yet settled
Research expenses	61,024,484.06	121,414,153.46	Not yet settled
Business promotion expenses	867,655,872.22	655,439,797.51	Not yet settled
Business meeting expenses	9,669,553.87	9,739,714.86	Not yet settled
Advisory, consultancy and information disclosure expenses	3,175,560.70	3,431,035.77	Not yet settled
Others	66,299,561.90	52,529,630.03	Not yet settled
Total	1,025,579,722.86	860,353,775.21	

28. Non-current liabilities due within one year

Item	Balance at the End of the Period	Balance at the End of Last Year
Lease liabilities due within one year	10,440,962.31	9,284,335.86

29. Other current liabilities

Item	Balance at the End of the Period	Balance at the End of Last Year
Tax for items pending for settlement	14,727,026.51	13,485,363.41
Refund payable	83,440,368.95	0.00
Others	101,522.98	0.00
Total	98,268,918.44	13,485,363.41

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Long-term loans

Item	Balance at the End of the Period	Interest rate range	Balance at the End of Last Year	Interest rate range
Loans on credit	316,013,480.28	2.90%-3.05%	636,780,252.78	3.55%-3.60%
Loans on guarantee	1,658,430,562.60	2.70%-3.60%	0.00	
Subtotal	1,974,444,042.88		636,780,252.78	
Less: Long-term loans due within 1 year	0.00		0.00	
Total	1,974,444,042.88		636,780,252.78	

31. Lease liabilities

Item	Balance at the End of the Period	Balance at the End of Last Year
Amount payable under lease	22,048,960.74	14,558,576.66
Less: Lease liabilities due within one year	10,440,962.31	9,284,335.86
Total	11,607,998.43	5,274,240.80

During the Period, the amount of interest expenses of lease liabilities was RMB1,629,500, which was recorded in finance expenses – interest expenses.

32. Deferred income

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period	Reason
Government grants	258,882,992.46	77,215,500.00	62,889,695.71	273,208,796.75	

For details of the government grants included in deferred income, see Note V. 60. Government grants.

33. Other non-current liabilities

Item	Balance at the End of the Period	Balance at the End of Last Year
The overall relocation and expansion project of Sichuan Guangda Pharmaceutical Manufacturing	84,000,000.00	78,000,000.00

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Share capital

2022

Item	Balance at the Beginning of the Year		Changes for the Period(+ -)					Balance at the End of the Period	
	Amount	Percentage (%)	Issuance of new shares	No. of bonus shares	Reserve fund capitalized	Others	Subtotal	Amount	Percentage (%)
I. Shares subject to selling restrictions									
1. State-owned shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. State-owned legal person shares	17,306,329	1.85	0.00	0.00	0.00	0.00	0.00	17,306,329	1.85
3. Other domestic shares	2,501,537	0.26	0.00	0.00	0.00	0.00	0.00	2,501,537	0.26
Of which: Domestic natural person shares	2,501,537	0.26	0.00	0.00	0.00	0.00	0.00	2,501,537	0.26
4. Foreign shares	53,235	0.01	0.00	0.00	0.00	0.00	0.00	53,235	0.01
Of which: Overseas natural person shares	53,235	0.01	0.00	0.00	0.00	0.00	0.00	53,235	0.01
Shares subject to selling restrictions in aggregate	19,861,101	2.12	0.00	0.00	0.00	0.00	0.00	19,861,101	2.12
II. Shares not subject to selling restrictions									
1. Ordinary shares denominated in Renminbi	604,768,403	64.48	1,091,966	0.00	0.00	0.00	1,091,966	605,860,369	64.76
2. Overseas listed foreign shares (H-share)	313,235,617	33.40	0.00	0.00	0.00	-3,404,400	-3,404,400	309,831,217	33.12
Shares not subject to selling restrictions in aggregate	918,004,020	97.88	1,091,966	0.00	0.00	-3,404,400	-2,312,434	915,691,586	97.88
III. Total number of shares	937,865,121	100.00	1,091,966	0.00	0.00	-3,404,400	-2,312,434	935,552,687	100.00

According to the relevant requirements of the Guideline No.1 on Self-Discipline Supervision of Companies Listed on the Shenzhen Stock Exchange – Standardized Operation of Main Board Listed Companies (《深圳證券交易所上市公司自律監管指引第 1 號—主板上市公司規範運作》), there are 2,554,772 locked shares held by the senior management.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Share capital (continued)

2021

Item	Balance at the Beginning of the Year		Changes for the Period (+ -)					Balance at the End of the Period	
	Amount	Percentage (%)	Issuance of new shares	No. of bonus shares	Reserve fund capitalized	Others	Subtotal	Amount	Percentage (%)
I. Shares subject to selling restrictions									
1. State-owned shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. State-owned legal person shares	17,306,329	1.83	0.00	0.00	0.00	0.00	0.00	17,306,329	1.85
3. Other domestic shares	2,322,294	0.25	179,241	0.00	0.00	0.00	179,241	2,501,535	0.26
Of which: Domestic natural person shares	2,322,294	0.25	179,241	0.00	0.00	0.00	179,241	2,501,535	0.26
4. Foreign shares	30,420	0.00	22,815	0.00	0.00	0.00	22,815	53,235	0.01
Of which: Overseas natural person shares	30,420	0.00	22,815	0.00	0.00	0.00	22,815	53,235	0.01
Shares subject to selling restrictions in aggregate	19,659,043	2.08	202,056	0.00	0.00	0.00	202,056	19,861,099	2.12
II. Shares not subject to selling restrictions									
1. Ordinary shares denominated in Renminbi	605,312,136	64.07	5,550,077	0.00	0.00	-6,093,808	-543,731	604,768,405	64.48
2. Overseas listed foreign shares (H-share)	319,864,217	33.85	0.00	0.00	0.00	-6,628,600	-6,628,600	313,235,617	33.40
Shares not subject to selling restrictions in aggregate	925,176,353	97.92	5,550,077	0.00	0.00	-12,722,408	-7,172,331	918,004,022	97.88
III. Total number of shares	944,835,396	100.00	5,752,133	0.00	0.00	-12,722,408	-6,970,275	937,865,121	100.00

According to the relevant requirements of the Guidelines of Standardized Operation for Companies Listed on the Main Board of the Shenzhen Stock Exchange (深交所主板上市公司規範運作指引), there are 2,554,770 locked shares held by the senior management.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Capital reserve

2022

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Share premium	1,438,013,828.65	52,221,986.08	67,906,247.42	1,422,329,567.31
Other capital reserve	191,342,745.69	33,938,075.68	20,132,026.08	205,148,795.29
Total	1,629,356,574.34	86,160,061.76	88,038,273.50	1,627,478,362.60

The increase in the share premium in the Period represented: ① an increase in share premium of RMB32,690,717.94 as a result of the effective exercise of 1,091,966 share options during the Period, and the provision for share incentive expenses in the amount of RMB20,132,026.08 was transferred from other capital reserve into share premium; ② upon the exercise of share options, pursuant to the taxation rules, the difference between deductible expenses before taxation and the amount of provision increased income tax payable by RMB600,757.94, the share premium was decreased accordingly; ③ The decrease in the share premium for the Period represented the decrease in share premium caused by cancellation of 3,404,400 repurchased shares.

Other capital reserve increase for the Period includes: ① withdrawal of share incentive expenses of 33,440,388.28; ② capital reserve increase of RMB497,687.40 due to changes in equity calculated under the equity method. The decrease in other capital reserve during the Period represented: the amount of RMB20,132,026.08 was transferred to share premium.

2021

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Share premium	1,456,572,347.73	385,754,556.35	404,313,075.43	1,438,013,828.65
Other capital reserve	103,797,369.96	94,408,952.00	6,863,576.27	191,342,745.69
Total	1,560,369,717.69	480,163,508.35	411,176,651.70	1,629,356,574.34

The increase in the share premium in the Period represented: ① an increase in share premium of RMB196,099,577.31 as a result of the effective exercise of 5,752,133 share options during the Period, and the provision for share incentive expenses in the amount of RMB6,863,576.27 was transferred from other capital reserve into share premium; ② upon the exercise of share options, pursuant to the taxation rules, the difference between deductible expenses before taxation and the amount of provision reduced income tax payable by RMB8,830,928.38, the share premium was increased accordingly; ③ the increase in share premium by transfer of overseas financing to domestic and disproportionate capital decrease to a subsidiary due to the difference of RMB173,960,474.39 between the capital contribution and the corresponding share of net assets of the subsidiary. The decrease in the share premium for the Period represented the decrease in share premium caused by cancellation of 12,722,408 repurchased shares.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Capital reserve (continued)

2021 (continued)

Other capital reserve increase for the Period includes: ① withdrawal of share incentive expenses of RMB21,942,174.33; ② capital reserve increase of RMB72,466,777.67 due to changes in shareholding percentage of the Company as well as other changes in equity caused by disproportionate capital increase under the equity method. The decrease in other capital reserve during the Period represented: ① the amount of RMB6,863,576.27 was transferred to share premium.

36. Treasury shares

2022

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Repurchase of A Shares and H Shares	71,209,491.00	55,936,280.81	71,209,491.00	55,936,280.81

The increase in treasury shares during the Period: the repurchase of the total amount of capital used for 1,696,100 A Shares through centralized bidding transactions by the Company. The decrease in treasury shares during the Period: the cancellation of repurchased shares.

2021

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Repurchase of A Shares and H Shares	250,061,413.16	238,183,561.27	417,035,483.43	71,209,491.00

The increase in treasury shares during the Period: the repurchase of the total amount of capital used for 10,033,000 H Shares through centralized bidding transactions by the Company. The decrease in treasury shares during the Period: the cancellation of repurchased shares.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. Other comprehensive income

2022

Item	Amount for the Period							Balance at the End of the Period (3)=(1)+(2)
	Balance at the Beginning of the Year (1)	Amount incurred before income tax for the Period	Less: Amount recognized in other comprehensive income in previous period transferred to profit or loss or retained earnings for current period	Less: income tax expenses	Attributable to parent company after tax (2)	Attributable to minority interests after tax		
I. Other comprehensive income not to be reclassified into profit or loss	142,776,392.38	56,130,551.51	0.00	1,489,069.65	67,359,646.57	-12,718,164.71	210,136,038.95	
1. Other comprehensive income not to be reclassified into profit or loss under equity method	14,820,196.44	4,723,927.54	0.00	0.00	4,723,927.54	0.00	19,544,123.98	
2. Change in fair value of investments in other equity instruments	127,956,195.94	51,406,623.97	0.00	1,489,069.65	62,635,719.03	-12,718,164.71	190,591,914.97	
II. Other comprehensive income to be reclassified into profit or loss	-96,227,394.68	74,666,025.73	0.00	0.00	72,580,014.46	2,086,011.27	-23,647,380.22	
1. Other comprehensive income to be reclassified into profit or loss under equity method	84,798.45	527,718.52	0.00	0.00	527,718.52	0.00	612,516.97	
2. Translation differences of financial statements denominated in in foreign currency	-96,312,193.13	74,138,307.21	0.00	0.00	72,052,295.94	2,086,011.27	-24,259,897.19	
Total other comprehensive income	46,548,997.70	130,796,577.24	0.00	1,489,069.65	139,939,661.03	-10,632,153.44	186,488,658.73	

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. Other comprehensive income (continued)

2021

Item	Balance at the Beginning of the Year (1)	Amount for the Period						Balance at the End of the Period (3)=(1)+(2)
		Amount incurred before income tax for the Period	Less: Amount recognized in other comprehensive income in previous period transferred to profit and loss or retained earnings for current period	Less: income tax expenses	Attributable to parent company after tax (2)	Attributable to minority interests after tax		
I. Other comprehensive income not to be reclassified into profit or loss	241,169,897.47	97,831,789.14	171,926,789.47	16,903,365.05	-98,393,505.09	7,395,139.71	142,776,392.38	
1. Other comprehensive income not to be reclassified into profit or loss under equity method	0.00	14,820,196.44	0.00	0.00	14,820,196.44	0.00	14,820,196.44	
2. Change in fair value of investments in other equity instruments	241,169,897.47	83,011,592.70	171,926,789.47	16,903,365.05	-113,213,701.53	7,395,139.71	127,956,195.94	
II. Other comprehensive income to be reclassified into profit or loss	-71,186,096.91	-26,204,752.16	0.00	0.00	-25,041,297.77	-1,163,454.39	-96,227,394.68	
1. Other comprehensive income to be reclassified into profit or loss under equity method	115,066.72	-30,268.27	0.00	0.00	-30,268.27	0.00	84,798.45	
2. Translation differences of financial statements denominated in in foreign currency	-71,301,163.63	-26,174,483.89	0.00	0.00	-25,011,029.50	-1,163,454.39	-96,312,193.13	
Total other comprehensive income	169,983,800.56	71,627,036.98	171,926,789.47	16,903,365.05	-123,434,802.86	6,231,685.32	46,548,997.70	

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

38. Surplus reserve

2022

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Statutory surplus reserve	577,212,833.75	0.00	0.00	577,212,833.75
Discretionary surplus reserve	63,796,201.34	0.00	0.00	63,796,201.34
Reserve funds	82,108,376.71	0.00	0.00	82,108,376.71
Enterprise Development Fund	21,683,742.35	0.00	0.00	21,683,742.35
Total	744,801,154.15	0.00	0.00	744,801,154.15

2021

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Statutory surplus reserve	577,212,833.75	0.00	0.00	577,212,833.75
Discretionary surplus reserve	63,796,201.34	0.00	0.00	63,796,201.34
Reserve funds	82,108,376.71	0.00	0.00	82,108,376.71
Enterprise Development Fund	21,683,742.35	0.00	0.00	21,683,742.35
Total	744,801,154.15	0.00	0.00	744,801,154.15

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

39. Retained earnings

(1) Movement in retained earnings

Item	Amount for the Period	Amount for Previous Period	Allocation or appropriation proportion
Retained earnings at the end of last year before adjustment	9,716,401,275.28	8,937,313,245.63	—
Adjustment for total retained earnings at the beginning of the Year (+ for increase, – for decrease)	0.00	0.00	—
Retained earnings at the beginning of the Year after adjustment	9,716,401,275.28	8,937,313,245.63	—
Add: Net profit attributable to owners of the parent company for the Period	1,909,391,664.63	1,775,683,251.01	—
Disposal of other equity instruments	27,196,646.41	171,926,789.47	—
Less: Appropriation to statutory surplus reserve	0.00	0.00	—
Dividends payable to ordinary shares	1,215,353,502.40	1,168,522,010.83	—
Retained earnings at the End of the Period	10,437,636,083.92	9,716,401,275.28	—

Breakdown of adjustments to the retained earnings as at the Beginning of the Period:

- ① The effect of the retrospective adjustments arising from Accounting Standards for Business Enterprises and the related new requirements on the retained earnings as at the Beginning of the Period amounted to RMB0.00.
- ② The effect of changes in accounting policies on the retained earnings as at the Beginning of the Period amounted to RMB0.00.
- ③ The effect of corrections of significant accounting errors on the retained earnings as at the Beginning of the Period amounted to RMB0.00.
- ④ The effect of the change of the scope of combination under common control on the retained earnings as at the Beginning of the Period amounted to RMB0.00.
- ⑤ The effect of other adjustments on the retained earnings as at the Beginning of the Period amounted to RMB0.00.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Retained earnings (continued)

(2) Notes to appropriation of profits

Item	The Period	Unit: RMB'000 Previous Period
Dividends:		
Final dividends for 2021 paid during the Year (Note 2)	1,215,353.50	
Final dividends for 2020 paid during the Year (Note 3)	—	1,168,522.01
Dividends declared after balance sheet date:		
Final dividends for 2022 (Note 1)	—	—
Final dividends for 2021 (Note 2)	—	1,215,353.50

Note 1: On 30 March 2023, the 2022 Annual Profit Distribution Plan was resolved and approved at the 46th meeting of the tenth session of the Board of the Company, it is expected to distribute cash dividend of RMB16.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2022 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized.

Note 2: On 28 March 2022, the 2021 Annual Profit Distribution Plan was resolved and approved at the 28th meeting of the tenth session of the Board of the Company, it is expected to distribute cash dividend of RMB13.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2021 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized. The profit distribution plan was approved at the general meeting held on 20 May 2022 and the payment was completed.

Note 3: On 22 March 2021, the 2020 Annual Profit Distribution Plan was resolved and approved at the 14th meeting of the tenth session of the Board of the Company, it is expected to distribute cash dividend of RMB12.50 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2020 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized. The profit distribution plan was approved at the general meeting held on 20 May 2021 and the payment was completed.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

40. Operating income and operating cost

(1) Operating income and operating cost

Item	Amount for the Period		Amount for Previous Period	
	Income	Cost	Income	Cost
Principal activities	12,523,690,143.29	4,386,551,283.41	11,927,981,641.41	4,155,936,133.76
Other activities	105,888,904.37	74,731,792.68	135,881,631.57	97,151,350.69
Total	12,629,579,047.66	4,461,283,076.09	12,063,863,272.98	4,253,087,484.45

The Company operates in a single operating segment in the PRC, i.e. the manufacture of pharmaceuticals. Accordingly, no information on operating segment of the Company is presented.

(2) Operating income and operating costs presented by product types

Item	Amount for the Period		Amount for Previous Period	
	Income	Cost	Income	Cost
Principal activities:				
Chemical drug preparation products	6,999,781,649.50	1,487,979,837.65	6,998,659,937.14	1,493,623,341.87
APIs and Intermediates	3,138,260,232.12	2,028,545,420.82	2,908,744,977.39	2,047,170,987.65
Traditional Chinese drug preparation products	1,253,625,014.77	410,577,883.24	1,070,862,073.91	279,945,301.39
Biological products	408,488,131.90	106,811,638.64	225,756,503.31	15,987,958.28
Diagnostic reagents and equipment	723,535,115.00	352,636,503.06	723,958,149.66	319,208,544.57
Subtotal	12,523,690,143.29	4,386,551,283.41	11,927,981,641.41	4,155,936,133.76
Other activities:				
Sales materials	40,384,147.56	25,714,231.25	45,692,190.01	35,748,838.92
Leasing income	6,967,706.94	1,020,264.68	4,661,385.09	225,953.54
Processing income	8,604,222.65	5,619,871.29	5,036,885.03	2,218,087.87
Supply of power	8,122,912.10	7,315,440.47	8,093,935.48	7,703,020.10
Technology transfer	0.00	0.00	19,365,879.25	12,539,408.55
Others	41,809,915.12	35,061,984.99	53,031,356.71	38,716,041.71
Subtotal	105,888,904.37	74,731,792.68	135,881,631.57	97,151,350.69
Total	12,629,579,047.66	4,461,283,076.09	12,063,863,272.98	4,253,087,484.45

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

40. Operating income and operating cost *(continued)*

(3) Operating income and operating costs presented by major operating regions

Item	Amount for the Period		Amount for Previous Period	
	Income	Cost	Income	Cost
Domestic	10,958,604,069.12	3,514,733,729.94	10,389,430,628.94	3,179,959,095.23
Overseas	1,565,086,074.17	871,817,553.47	1,538,551,012.47	975,977,038.53
Total	12,523,690,143.29	4,386,551,283.41	11,927,981,641.41	4,155,936,133.76

(4) Operating income and operating costs presented by time of income recognition

Item	Amount for the Period		Amount for Previous Period	
	Income	Cost	Income	Cost
Commodities (recognized at a point of time)	12,523,690,143.29	4,386,551,283.41	11,927,981,641.41	4,155,936,133.76

41. Taxes and surcharges

Item	Amount for the Period	Amount for Previous Period
Urban maintenance and construction tax	62,562,258.70	58,493,268.00
Education surcharges	46,832,209.58	43,331,821.76
Land use tax	6,641,944.72	5,975,524.61
Property tax	19,912,706.19	17,741,072.39
Stamp duty	9,442,288.27	10,913,832.45
Vehicle and vessel usage tax	73,747.24	85,311.51
Environmental protection tax	280,842.82	333,966.14
Others	722,564.27	554,279.19
Total	146,468,561.79	137,429,076.05

Note: The bases of calculations for major taxes and surcharges are set out in Note IV.Taxation.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

42. Selling expenses

Item	Amount for the Period	Amount for Previous Period
Marketing and promotional expenses	3,447,534,872.95	3,455,866,234.50
Staff salaries	343,296,638.50	302,048,042.67
Office, entertainment and travelling expenses	44,630,313.95	58,172,307.23
Business meeting expenses	12,451,104.98	20,993,916.61
Others	39,479,161.11	46,794,002.05
Total	3,887,392,091.49	3,883,874,503.06

43. Administrative expenses

Item	Amount for the Period	Amount for Previous Period
Staff salaries	328,258,866.54	269,904,372.50
Share incentive expenses	47,324,532.41	25,849,012.38
Depreciation and amortization	89,707,662.77	91,258,390.84
Loss on suspension of operations	0.00	61,298,627.03
Advisory, consultancy and information disclosure fees	16,657,275.84	21,853,023.08
Quality project expenses	29,400,960.89	46,075,518.11
Office, entertainment and travelling expenses	45,817,022.62	46,939,280.90
Repair of utilities, transportation and miscellaneous expenses	27,361,364.57	35,318,950.53
Recruitment and staff training expenses	9,866,250.47	9,702,595.03
Auditors' fees	2,179,245.22	2,292,452.83
Others	60,284,292.88	53,688,938.68
Total	656,857,474.21	664,181,161.91

44. R&D expenses

Item	Amount for the Period	Amount for Previous Period
Material costs	228,922,305.99	231,663,006.62
Staff salaries	319,986,728.98	301,742,771.82
Share incentive expenses	0.00	6,884,591.21
Testing fees	587,582,417.92	420,327,375.64
Depreciation and amortization	218,085,442.73	78,780,317.45
Others	71,945,778.45	106,304,267.07
Total	1,426,522,674.07	1,145,702,329.81

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

45. Finance expenses

Item	Amount for the Period	Amount for Previous Period
Interest expenses	97,545,933.93	83,997,234.61
Less: Interest income	315,137,487.68	162,189,969.03
Exchange (gains)/losses	-56,682,312.21	4,282,324.15
Commission charges and others	5,512,634.76	3,869,651.70
Total	-268,761,231.20	-70,040,758.57

46. Other income

Item	Amount for the Period	Amount for Previous Period	Related to assets/income
Government grants	54,564,250.23	41,608,126.22	Related to assets
Government grants	126,290,577.90	164,871,028.71	Related to income
Tax withholding commission charges	2,493,737.67	1,563,421.16	
Total	183,348,565.80	208,042,576.09	

For specific information on government grants, please refer to Note V. 60. Government grants for details; for reasons of government grants which are non-recurring profit and loss items, please refer to Note XVII. 1.

47. Investment income

Item	Amount for the Period	Amount for Previous Period
Long-term equity investments income under equity method	61,201,743.03	39,063,937.38
Investment income from disposal of long-term equity investments	0.00	2,423,029.20
Investment income from financial assets held for trading during the holding period	306,526.30	2,421,216.08
Dividend income from other equity instrument investments	5,040,663.67	20,713,994.02
Investment income from disposal of financial assets held for trading	-22,437,337.64	25,002,821.73
Total	44,111,595.36	89,624,998.41

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

48. Gains from changes in fair value

Sources of gains from changes in fair value	Amount for the Period	Amount for Previous Period
Financial assets held for trading	-74,707,299.36	-22,884,154.08
Of which: Debt instrument investments	-5,873.00	30,410.89
Equity instrument investments	-73,700,967.89	-17,702,179.18
Derivative financial assets	-1,000,458.47	-5,212,385.79
Financial liabilities held for trading	-566,732.19	-143,090.17
Of which: Derivative financial liabilities	-566,732.19	-143,090.17
Total	-75,274,031.55	-23,027,244.25

49. Credit impairment loss ("-" represents losses)

Item	Amount for the Period	Amount for Previous Period
Bad debt loss of accounts receivables	-4,834,056.57	-7,398,692.26
Bad debt loss of other receivables	-853,459.84	-138,330.88
Total	-5,687,516.41	-7,537,023.14

50. Asset impairment loss ("-" represents losses)

Item	Amount for the Period	Amount for Previous Period
Loss on obsolete stocks	-116,458,117.83	-56,575,488.79
Impairment loss on fixed assets	-161,940.79	-202,011.87
Total	-116,620,058.62	-56,777,500.66

51. Gains on disposal of assets

Item	Amount for the Period	Amount for Previous Period
Gains on disposal of fixed assets ("-" represents losses)	860,661.89	7,034,712.12

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

52. Non-operating income

Item	Amount for the Period	Amount for Previous Period	Amount charged to non-recurring gains or losses during the Period
Gains on destruction or retirement of non-current assets	414,276.33	168,856.96	414,276.33
Income from scraps	2,092,503.89	2,536,705.67	2,092,503.89
Compensation income	356,235.40	739,402.63	356,235.40
Waiver of payables	2,239,969.84	426,425.24	2,239,969.84
Others	1,912,202.98	3,013,716.65	1,912,202.98
Total	7,015,188.44	6,885,107.15	7,015,188.44

53. Non-operating expenses

Item	Amount for the Period	Amount for Previous Period	Amount charged to non-recurring gains or losses during the Period
Charitable donation expenses	9,977,732.63	19,452,178.47	9,977,732.63
Loss on destruction or retirement of non-current assets	14,241,767.46	6,113,114.29	14,241,767.46
Others	2,800,695.83	2,620,979.48	2,800,695.83
Total	27,020,195.92	28,186,272.24	27,020,195.92

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

54. Income tax expenses

(1) Breakdown of income tax expenses

Item	Amount for the Period	Amount for Previous Period
Current income tax calculated according to tax laws and relevant rules	372,589,025.02	278,104,801.38
Of which: Domestic enterprise income tax	372,589,025.02	277,810,742.90
Corporate income tax in Hong Kong and Macau	0.00	294,058.48
Deferred income tax expenses	2,421,372.12	15,482,859.44
Total	375,010,397.14	293,587,660.82

(2) Reconciliation between income tax expenses and total profit is set out below:

Item	Amount for the Period	Amount for Previous Period
Total profit	2,330,550,610.20	2,245,688,829.75
Income tax expenses calculated at statutory tax rate	582,637,652.55	561,422,207.44
Effect of different tax rates applicable to subsidiaries	7,440,051.32	183,938.50
Effect of tax reduction and exemption	-447,000,225.09	-361,448,631.48
Effect of non-taxable income	-1,299,734.25	-4,275,242.31
Effect of using the equity method	-8,561,810.74	-5,212,276.30
Effect of non-deductible expenses	7,276,833.82	10,251,459.71
Credit (charge) on deductible temporary differences on which deferred income tax assets are not recognized for the Year	16,483,362.96	601,110.61
Deductible losses of deferred income tax assets not recognized for the Year	217,491,938.46	95,923,930.52
Utilization of deductible losses of deferred income tax assets not recognized in prior periods	-296,641.78	-5,504,939.57
Others	838,969.89	1,646,103.70
Income tax expenses	375,010,397.14	293,587,660.82

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

55. Earnings per share

Basic earnings per share was calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares of the parent company outstanding.

Diluted earnings per share was calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the parent company after the adjustment of dilutive potential ordinary shares by the weighted average number of ordinary shares of the Company outstanding after adjustment. In calculating the weighted average number of shares increased after conversion of dilutive potential ordinary shares into issued ordinary shares, the dilutive potential ordinary shares which were issued in previous periods are assumed to be converted at the beginning of current year and the dilutive potential ordinary shares which were issued during the current year are assumed to be converted at the date of issue.

The calculation of basic and diluted earnings per share is as follows:

Calculation of earnings per share	Amount for the Period	Amount for Previous Period
Net profit attributable to ordinary shareholders of the parent company	1,909,391,664.63	1,775,683,251.01
Of which: Net profit from continuing operations	1,909,391,664.63	1,775,683,251.01
Net profit from discontinued operations	0.00	0.00
Weighted average number of ordinary shares of the Company outstanding	934,983,053	935,426,940
Effect of dilution – weighted average number of ordinary shares (share options)	908,705	808,254
Weighted average number of ordinary shares of the Company outstanding after adjustment	935,891,758	936,235,194
Basic earnings per share	2.04	1.90
Of which: Earnings per share of continuing operations	2.04	1.90
Earnings per share of discontinued operations	—	—
Diluted earnings per share	2.04	1.90
Of which: Diluted earnings per share of continuing operations	2.04	1.90
Diluted earnings per share of discontinued operations	—	—

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

56. Notes to cash flow statement items

(1) Cash received relating to other operating activities

Item	Amount for the Period	Amount for Previous Period
Government grants	197,330,349.23	198,300,223.75
Interest income	267,348,288.72	142,220,316.26
Deposits for letter of credit/bank acceptance bills	1,639,708.15	31,219,129.91
Movements in capital and others	63,395,697.91	74,449,499.27
Total	529,714,044.01	446,189,169.19

(2) Cash paid relating to other operating activities

Item	Amount for the Period	Amount for Previous Period
Business promotion expenses	3,557,737,399.78	4,072,974,288.01
R&D expenses	770,513,014.09	741,549,883.44
Bank charges	5,512,634.76	3,869,651.70
Deposits for letter of credit and bank acceptance bills	1,476,708.15	30,565,390.64
Other expenses paid	309,167,705.54	433,234,270.80
Movements in capital and others	21,812,636.15	28,587,566.28
Total	4,666,220,098.47	5,310,781,050.87

(3) Cash received relating to other investing activities

Item	Amount for the Period	Amount for Previous Period
Deposits under guarantee	202,000.00	185,000.00
Compensation for demolition	6,000,000.00	0.00
Others	0.00	2,700.00
Total	6,202,000.00	187,700.00

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

56. Notes to cash flow statement items *(continued)*

(4) Cash paid relating to other investing activities

Item	Amount for the Period	Amount for Previous Period
Deposits under guarantee	365,000.00	235,000.00
Foreign exchange forward contract losses	30,021,080.39	2,831,260.72
Others	150.00	3,779.69
Total	30,386,230.39	3,070,040.41

(5) Cash received relating to other financing activities

Item	Amount for the Period	Amount for Previous Period
Collection and advance payment of individual income tax	347,182.11	1,269,151.85

(6) Cash paid relating to other financing activities

Item	Amount for the Period	Amount for Previous Period
Repurchase of shares and commission charges	56,037,437.23	238,183,561.27
Capital reduction in minority interests in subsidiary	0.00	618,262,191.00
Collection and advance payment of individual income tax	1,237,210.80	1,716,145.57
Rental	22,700,168.79	21,343,836.30
Others	624,000.00	0.00
Total	80,598,816.82	879,505,734.14

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

57. Supplemental information to cash flow statement

(1) Supplemental information to cash flow statement

Supplemental information	Amount for the Period	Amount for Previous Period
1. Reconciliation from net profit to cash flow from operating activities:		
Net profit	1,955,540,213.06	1,952,101,168.93
Add: Asset impairment loss	116,620,058.62	56,777,500.66
Credit impairment loss	5,687,516.41	7,537,023.14
Depreciation of fixed assets	480,025,676.26	406,884,891.28
Amortization of right-of-use assets	21,761,807.38	20,248,852.26
Amortization of intangible assets	150,536,560.64	18,137,564.75
Amortization of long-term deferred expenses	33,306,228.14	26,067,675.35
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" represents gains)	-860,661.89	-7,034,712.12
Loss on retirement of fixed assets ("-" represents gains)	13,827,491.13	5,944,257.33
Loss on fair value change ("-" represents gains)	75,274,031.55	23,027,244.25
Finance expenses ("-" represents gains)	39,388,331.66	102,720,755.47
Investment losses ("-" represents gains)	-44,111,595.36	-89,624,998.41
Decrease in deferred income tax assets ("-" represents increase)	-27,870,686.05	-13,344,946.56
Increase in deferred income tax liabilities ("-" represents decrease)	30,292,058.17	28,827,806.00
Decrease in inventories ("-" represents increase)	-498,571,701.78	-232,007,066.98
Decrease in operating items receivable ("-" represents increase)	-660,450,050.35	-664,684,318.81
Increase in operating items payable ("-" represents decrease)	1,034,951,485.03	228,015,838.90
Others	47,324,532.41	32,733,603.59
Net cash flow from operating activities	2,772,671,295.03	1,902,328,139.03
2. Major investment and financing activities irrelevant to cash income and expenses:		
Conversion of debts into capital	0.00	0.00
Convertible corporate bonds due within 1 year	0.00	0.00
The increased right-of-use assets of current period	29,002,437.68	16,525,796.79
3. Net change in cash and cash equivalents:		
Cash balance at the End of the Period	10,072,642,681.72	9,125,309,968.12
Less: Cash balance at the Beginning of the Period	9,125,309,968.12	9,952,049,990.08
Add: Balance of cash equivalents at the End of the Period	0.00	0.00
Less: Balance of cash equivalents at the Beginning of the Period	0.00	0.00
Net increase in cash and cash equivalents	947,332,713.60	-826,740,021.96

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

57. Supplemental information to cash flow statement *(continued)*

(2) Net cash payment for acquisition of subsidiaries during the Period

Nil.

(3) Net cash received from disposal of subsidiaries during the Period

Nil.

(4) Composition of cash and cash equivalents

Item	Balance at the End of the Period	Balance as at the End of the Previous Year
I. Cash	10,072,642,681.72	9,125,309,968.12
Of which: Cash on hand	198,834.79	194,319.63
Bank deposits that are readily available for payment	10,058,458,389.11	8,982,561,795.23
Other monetary funds that are readily available for payment	13,985,457.82	142,553,853.26
II. Cash equivalents	0.00	0.00
Of which: Bond investments due within 3 months	0.00	0.00
III. Balance of cash and cash equivalents at the End of the Period	10,072,642,681.72	9,125,309,968.12

Cash and cash equivalents excluded restricted cash and cash equivalents used by the Company.

58. Assets with restricted ownership or right of use

Item	Carrying amount at the End of the Period	Reasons for restriction
Monetary funds	946,876.64	Deposits for letters of guarantee and other businesses
Bills receivables	199,423,555.72	Bills pooling business, pledged bills receivables
Total	200,370,432.36	

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

59. Foreign currency monetary items

Item	Balance in foreign currency at the End of the Period	Exchange rate for conversion	Equivalent RMB balance at the End of the Period
Monetary funds			
Of which: HKD	10,847,810.78	0.89327	9,690,023.93
Euro	94,230.96	7.4229	699,467.00
USD	130,377,101.70	6.9646	908,024,362.48
MOP	4,921,985.97	0.8681	4,272,776.02
JPY	344,798,878.00	0.052358	18,052,979.65
Accounts receivables			
Of which: USD	40,313,320.15	6.9646	280,766,149.52
MOP	1,264,788.45	0.8681	1,097,962.85
Other receivables			
Of which: HKD	1,207,603.63	0.89327	1,078,716.09
MOP	581,188.00	0.8681	504,529.30
Other current assets			
Of which: USD	13,326,786.67	6.9646	92,815,738.44
Short-term loans			
Of which: USD	1,933,328.53	6.9646	13,464,859.86
Accounts payables			
Of which: USD	512,475.01	6.9646	3,569,183.45
Euro	5,665.41	7.4229	42,053.77
JPY	279,370,752.84	0.052358	14,627,293.88
CHF	18,810.00	7.5432	141,887.59
Other payables			
Of which: USD	4,015,670.14	6.9646	27,967,536.26
HKD	2,892,127.05	0.89327	2,583,450.33

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

60. Government grants

(1) Government grants included in deferred income will be measured by gross amount method subsequently

Projects with grants	Type	Balance at the Beginning of the Year	Amount of additional grant for the Period	Amount carried forward into profit and loss for the Period	Other changes	Balance at the End of the Period	Presentation item carried forward into profit and loss for the Period	Related to assets/income
R&D and industrialization of innovative Ilaprazole Series (艾普拉唑系列創新藥物研發及產業化)	Fiscal appropriation	16,078,166.25	0.00	4,910,000.04	0.00	11,168,166.21	Other income	Related to assets
Research and development funds for new drug for Class I Treatment of humanized anti-TNF- α monoclonal antibody (類治療用人源化抗人腫瘤壞死因子 α 單克隆抗體新藥研製資金)	Fiscal appropriation	8,000,000.00	0.00	5,924,000.00	2,076,000.00	0.00	Other income	Related to income
Strategic emerging industries in 2014 (sustained release microspheres (2014年戰略性新興產業(緩釋微球)))	Fiscal appropriation	16,700,000.00	0.00	0.00	0.00	16,700,000.00	Other income	Related to assets
Fund for industrialization of prolonged-action microsphere preparation (長效微球製劑的產業化款項)	Fiscal appropriation	12,550,000.00	0.00	0.00	0.00	12,550,000.00	Other income	Related to assets
Construction project for industrialization of prolonged-action microsphere preparation (phase I) (長效微球製劑產業化建設項目(一期工程))	Fiscal appropriation	20,719,505.48	0.00	2,405,309.88	0.00	18,314,195.60	Other income	Related to assets
Project subsidy from the Ministry of Industry and Information Technology (工業和信息化部項目補助款)	Fiscal appropriation	2,400,000.00	0.00	0.00	0.00	2,400,000.00	Other income	Related to assets
Project subsidy from the Ministry of Industry and Information Technology (工業和信息化部項目補助款)	Fiscal appropriation	1,366,750.00	0.00	231,000.00	0.00	1,135,750.00	Other income	Related to assets
Construction of Drug Conformity Evaluation Research Center Platform (藥物一致性評價研究中心平台建設)	Fiscal appropriation	1,040,000.14	0.00	159,999.96	0.00	880,000.18	Other income	Related to assets
R&D and Commercialisation of Mouse Nerve Growth Factor for Injection (注射用鼠神經生長因子研發及產業化)	Fiscal appropriation	40,045,946.93	0.00	10,560,089.28	0.00	29,485,857.65	Other income	Related to assets
Demonstration project on the application of solar photovoltaic architecture (太陽能光電建築應用示範項目)	Fiscal appropriation	2,455,499.43	0.00	1,102,000.08	0.00	1,353,499.35	Other income	Related to assets
Subsidy for the Tender of Technology Upgrade Project for PVC Soft Bag Supported by Provincial Finance Departments (省財政支持技改招標項目補助金 PVC 軟袋)	Fiscal appropriation	2,703,484.56	0.00	403,699.30	0.00	2,299,785.26	Other income	Related to assets
Technical transformation project of Shengji Fuzheng Injection with flexible bag (散裝參芪扶正注射液技改項目)	Fiscal appropriation	15,676,470.62	0.00	3,823,529.40	0.00	11,852,941.22	Other income	Related to assets
Provision for technology transformation funds and subsequent grants (技術改造資金撥款及事後補獎)	Fiscal appropriation	5,459,555.72	0.00	1,129,563.36	0.00	4,329,992.36	Other income	Related to assets
Provision for technology transformation funds and subsequent grants (技術改造資金撥款及事後補獎)	Fiscal appropriation	7,359,670.81	0.00	1,783,368.48	0.00	5,576,302.33	Other income	Related to assets
Electricity distribution transformer performance enhancement for energy-saving and emission reduction projects (節能減排項目配電變壓器能效提升)	Fiscal appropriation	380,000.00	0.00	48,000.00	0.00	332,000.00	Other income	Related to assets
R&D and industrialization team of chemical drug liquid preparation (化藥液體製劑研發與產業化團隊)	Fiscal appropriation	1,534,833.44	234,000.00	57,999.84	0.00	1,710,833.60	Other income	Related to assets
Innovation capacity building of technology center (antibody laboratory) (技術中心創新能力建設(抗體藥物實驗室))	Fiscal appropriation	4,802,478.80	0.00	514,338.20	0.00	4,288,140.60	Other income	Related to assets

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

60. Government grants (continued)

(1) Government grants included in deferred income will be measured by gross amount method subsequently (continued)

Projects with grants	Type	Balance at the Beginning of the Year	Amount of additional grant for the Period	Amount carried forward into profit and loss for the Period	Other changes	Balance at the End of the Period	Presentation item carried forward into profit and loss for the Period	Related to assets/income
Innovation capacity building of technology center (antibody laboratory) (技術中心創新能力建設(抗體藥物實驗室))	Fiscal appropriation	166,439.46	0.00	6,747.52	0.00	159,691.94	Other income	Related to income
Achievement transfer of blood screening (BCI) nucleic acid detection testing (血液篩查(BCI)核酸檢測試劑成果转化)	Fiscal appropriation	3,961,282.44	0.00	631,622.73	0.00	3,329,659.71	Other income	Related to assets
Technological upgrading and transformation projects of workshop for acarbose (APIs for α -glucosidase inhibitor) (α -葡萄糖苷酶抑制劑類原料藥阿卡波糖生產車間工藝升級技術改造項目)	Fiscal appropriation	464,285.80	0.00	107,142.84	0.00	357,142.96	Other income	Related to assets
R&D and industrialization of Statins (降血脂他汀類藥物的研發與產業化)	Fiscal appropriation	30,000.48	0.00	30,000.48	0.00	0.00	Other income	Related to assets
Scientific technology award and subsidy for technological innovative project (科學技術獎及科技創新項目資助)	Fiscal appropriation	28,566.20	0.00	28,566.20	0.00	0.00	Other income	Related to assets
Scientific technology award and subsidy for technological innovative project (科學技術獎及科技創新項目資助)	Fiscal appropriation	2,200,000.00	0.00	0.00	0.00	2,200,000.00	Other income	Related to income
Zhuhai industrial enterprise "cloud and platform" service coupons supporting funds (珠海市工業企業"上雲上平台"服務券支持資金)	Fiscal appropriation	89,431.86	0.00	25,540.86	0.00	63,891.00	Other income	Related to income
Commissioner workstation (特派員工作站)	Fiscal appropriation	85,000.00	0.00	60,000.00	0.00	25,000.00	Other income	Related to assets
Industrial revitalisation supporting funds (產業振興扶持資金)	Fiscal appropriation	2,445,500.01	0.00	1,158,000.00	0.00	1,287,500.01	Other income	Related to assets
Phase IV clinical study of innovative drug laprazole (創新藥物艾普拉唑 IV 期臨床研究)	Fiscal appropriation	8,210,800.00	0.00	8,210,800.00	0.00	0.00	Other income	Related to assets
Government grant for industrial transformation (工業轉型政府扶持資金)	Fiscal appropriation	308,333.75	0.00	199,999.92	0.00	108,333.83	Other income	Related to assets
New industrialization development grant (新型工業化發展獎金)	Fiscal appropriation	3,584,066.38	1,801,800.00	350,000.04	0.00	5,035,866.34	Other income	Related to assets
Policy fund for leading industrial enterprises loan interests (工業龍頭企業貸款貼息政策資金)	Fiscal appropriation	366,666.57	0.00	200,000.04	0.00	166,666.53	Other income	Related to assets
Supporting funds for five advantageous industrial clusters and one high-tech industry (五優一新扶持資金)	Fiscal appropriation	300,000.20	0.00	99,999.96	0.00	200,000.24	Other income	Related to assets
Capital project for innovation and entrepreneurship team funding program (創新創業團隊資助計劃資金項目)	Fiscal appropriation	12,500,000.00	0.00	750,000.00	0.00	11,750,000.00	Other income	Related to assets
2020 Zhuhai innovation and enterprising team (Nanocrystalline) (2020 年度珠海市創新創業團隊(納米晶))	Fiscal appropriation	1,500,000.00	3,500,000.00	0.00	0.00	5,000,000.00	Other income	Related to assets
Fund for R&D and industrialization of innovative laprazole series (艾普拉唑系列創新藥物研發及產業化項目資金)	Fiscal appropriation	5,600,000.00	0.00	5,600,000.00	0.00	0.00	Other income	Related to assets
Key projects of industrial core and key technologies of Zhuhai (RyanoDEX) (珠海市產業核心和關鍵技術攻關方向項目(丹曲林鈉))	Fiscal appropriation	3,000,000.00	0.00	0.00	0.00	3,000,000.00	Other income	Related to assets

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

60. Government grants (continued)

(1) Government grants included in deferred income will be measured by gross amount method subsequently (continued)

Projects with grants	Type	Balance at the Beginning of the Year	Amount of additional grant for the Period	Amount carried forward into profit and loss for the Period	Other changes	Balance at the End of the Period	Presentation item carried forward into profit and loss for the Period	Related to assets/income
Data-driven industrial chain collaboration platform demonstration project (數據驅動的產業鏈協同平台示範項目)	Fiscal appropriation	3,650,000.00	0.00	730,000.00	0.00	2,920,000.00	Other income	Related to assets
Fund for key projects of industrial core and key technologies of Zhuhai (2nd batch) (珠海市產業核心和關鍵技術攻關方向項目資金(第二批))	Fiscal appropriation	2,000,000.00	0.00	0.00	0.00	2,000,000.00	Other income	Related to assets
Innovative drug of Ilaprazole sodium for injection (創新藥注射用艾普拉唑鈉劑)	Fiscal appropriation	2,400,000.00	0.00	120,000.00	0.00	2,280,000.00	Other income	Related to assets
Technological transformation projects of new Cefuroxime (新型頭孢粉針劑技術改造項目)	Fiscal appropriation	1,533,100.00	0.00	0.00	0.00	1,533,100.00	Other income	Related to assets
Internet benchmarking project for advanced drug Manufacturing (先進藥品製造互聯網標桿項目)	Fiscal appropriation	675,000.00	0.00	90,000.00	0.00	585,000.00	Other income	Related to assets
Cleaner Production Audit Project (清潔生產審核項目)	Fiscal appropriation	180,000.08	0.00	9,999.96	0.00	170,000.12	Other income	Related to assets
Green factory (綠色工廠)	Fiscal appropriation	1,131,666.71	0.00	129,999.96	0.00	1,001,666.75	Other income	Related to assets
HCG project construction (HCG 項目建設)	Fiscal appropriation	3,387,835.84	0.00	395,649.96	0.00	2,992,185.88	Other income	Related to assets
Sewage treatment system upgrade project (污水處理系統升級改造項目)	Fiscal appropriation	64,239.92	0.00	8,030.04	0.00	56,209.88	Other income	Related to assets
R&D and industrialization of Recombinant Human Chorionic Gonadotropin for Injection (注射用重組人絨促性素研發及產業化)	Fiscal appropriation	1,137,500.00	0.00	150,000.00	0.00	987,500.00	Other income	Related to assets
R&D and industrialization of hi-tech self-emulsifying soft capsule preparation of cyclosporine (高技術屏障的環孢素自乳化軟膠囊製劑的開發及產業化研究)	Fiscal appropriation	0.00	800,000.00	14,000.00	0.00	786,000.00	Other income	Related to assets
Guangdong Provincial Key Laboratory of Characteristic Drug Research and Development Enterprises (廣東省特色藥物研發企業重點實驗室)	Fiscal appropriation	0.00	1,000,000.00	58,333.31	0.00	941,666.69	Other income	Related to assets
Subsidies for online monitoring equipment and installations of coal-fired boilers (燃煤鍋爐在線監控設備裝置補助資金)	Fiscal appropriation	82,500.00	0.00	22,500.00	0.00	60,000.00	Other income	Related to assets
Funds for joint R&D and industrialization of integrated platform for molecular diagnostics (集成一體化分子診斷平台的合作研發及產業化資金)	Fiscal appropriation	181,632.12	0.00	127,715.81	0.00	53,916.31	Other income	Related to assets
Project supporting fund for the first batch of special funds for scientific and technological innovation in 2019 (2019 年度第一批科技創新專項資金立項配套資助)	Fiscal appropriation	600,000.00	0.00	0.00	0.00	600,000.00	Other income	Related to assets
Provincial industrial innovation (provincial enterprise technology center) project in 2019 (2019 年省產業創新(省級企業技術中心)項目)	Fiscal appropriation	1,046,533.33	0.00	967,303.60	0.00	79,229.73	Other income	Related to assets

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

60. Government grants (continued)

(1) Government grants included in deferred income will be measured by gross amount method subsequently (continued)

Projects with grants	Type	Balance at the Beginning of the Year	Amount of additional grant for the Period	Amount carried forward into profit and loss for the Period	Other changes	Balance at the End of the Period	Presentation item carried forward into profit and loss for the Period	Related to assets/income
China Postdoctoral Science Foundation subsidy funds (中國博士後科學基金會資助經費)	Fiscal appropriation	80,000.00	0.00	6,283.19	73,716.81	0.00	Other income	Related to income
Pre-appropriation of special grants for industrialization of diagnostic reagents for COVID-19 (新型冠狀病毒檢測試劑產業化項目補助金預撥)	Fiscal appropriation	4,116,415.65	0.00	26,694.08	0.00	4,089,721.57	Other income	Related to assets
Xiangzhou District equipment purchase subsidy supporting funds (special funds for prevention and control of pandemic) (香洲區購置設備補貼扶持資金(疫情防控專項資金))	Fiscal appropriation	11,467.25	0.00	2,317.04	0.00	9,150.21	Other income	Related to assets
Zhuhai innovation and enterprising team and high-level talent enterprising project Phase I funds (珠海市創新創業團隊和高層次人才創業項目首期資金)	Fiscal appropriation	12,000,000.00	0.00	0.00	0.00	12,000,000.00	Other income	Related to assets
Overall relocation and deployment expansion project (整體搬遷調遷擴建項目)	Fiscal appropriation	20,000,000.00	30,000,000.00	0.00	0.00	50,000,000.00	Other income	Related to assets
Environmental protection bureau RTO project special funds (環保局 RTO 項目資金)	Fiscal appropriation	179,999.96	0.00	20,000.04	0.00	159,999.92	Other income	Related to assets
Optimization of structural effect of sea organisms and valuation of anti-tumor activity (海洋微生物構效優化與抗腫瘤活性評價)	Fiscal appropriation	312,366.27	0.00	213,157.10	0.00	99,209.17	Other income	Related to income
Research and development and demonstration of key technologies for the development and utilization of marine Chinese medicine resources of swim bladder (golden croaker) (魚鱔(黃金鯪)海洋中藥資源開發與利用關鍵技術研發與示範)	Fiscal appropriation	0.00	750,000.00	0.00	0.00	750,000.00	Other income	Related to income
2022 Central Government Special Fund for Industrial Restructuring and High-quality Development of Manufacturing Industry (2022 年中央財政產業基礎再造和製造業高質量發展專項資金)	Fiscal appropriation	0.00	32,740,000.00	4,774,583.31	0.00	27,965,416.69	Other income	Related to assets
National Science and Technology Major Project Fund (國家科技重大專項項目後補助資金) LZM009	Fiscal appropriation	0.00	4,744,900.00	2,362,093.09	0.00	2,382,806.91	Other income	Related to assets
Innovation-driven technology industry itemization in Xiangzhou District in timely response to the impact of the pandemic to maintain stability (香洲區積極應對和疫情影響保穩創新驅動科技工業分項)	Fiscal appropriation	0.00	1,644,800.00	0.00	0.00	1,644,800.00	Other income	Related to assets
Total		258,882,992.46	77,215,500.00	60,739,978.90	2,149,716.81	273,208,796.75		

Government grants were mainly from grants for projects such as R&D, technology transformation, technology innovation and relocation from relevant government authorities such as development and reform, finance, technology and industrial information bureau of prefecture, provincial and municipal level government of the place where the Company and its subsidiaries operate.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

60. Government grants (continued)

(2) Government grants charged to profit and loss of current period by adopting gross amount method

Projects with grants	Type	Amount charged to profit and loss for the Previous Period	Amount charged to profit and loss for the Period	Presentation item charged to profit and loss	Related to assets/ income
Export credit insurance subsidy (出口信保補貼)	Fiscal appropriation	1,991,489.70	2,087,098.80	Other income	Related to income
R&D subsidy (研究開發費補助)	Fiscal appropriation	6,267,222.00	1,200,440.00	Other income	Related to income
Research and development funds for new drug for Class I Treatment of humanized anti-TNF- α monoclonal antibody (I 類治療用人源化抗人腫瘤壞死因子 α 單克隆抗體新藥的研製資金)	Fiscal appropriation	0.00	5,924,000.00	Other income	Related to income
Government Subsidy for Long-acting Microspheres Major New Drug Creation (長效微球重大新藥創製政府補助)	Fiscal appropriation	4,784,320.37	3,155,309.88	Other income	Related to assets
R&D and industrialization of innovative Ilaprazole series (艾普拉唑系列創新藥物研發及產業化)	Fiscal appropriation	4,910,000.04	18,720,800.04	Other income	Related to assets
R&D and industrialization of innovative Ilaprazole series (艾普拉唑系列創新藥物研發及產業化)	Fiscal appropriation	560,000.00	0.00	Other income	Related to income
Innovative drug of Ilaprazole sodium for injection (創新藥注射用艾普拉唑鈉劑)	Fiscal appropriation	0.00	120,000.00	Other income	Related to assets
Construction of Drug Conformity Evaluation Research Center Platform (藥物一致性評價研究中心平台建設)	Fiscal appropriation	159,999.96	159,999.96	Other income	Related to assets
Conformity Evaluation Research of Quality of Varieties such as Livzon Dele (麗珠得樂等品種質量一致性評價研究)	Fiscal appropriation	231,000.00	231,000.00	Other income	Related to assets
Internet Benchmarking Project for Advanced Drug Manufacturing (先進藥品製造互聯網標桿項目)	Fiscal appropriation	90,000.00	90,000.00	Other income	Related to assets
R&D and commercialisation of Recombinant Human Chorionic Gonadotropin for Injection (注射用重組人絨促性素研發及產業化)	Fiscal appropriation	150,000.00	150,000.00	Other income	Related to assets
Construction of HCG Project (HCG 項目建設)	Fiscal appropriation	395,649.97	395,649.96	Other income	Related to assets
Fiscal Subsidy and Operating Subsidy (財政補貼及經營運營補貼)	Fiscal appropriation	119,047,484.00	59,063,950.86	Other income	Related to income
R&D and Commercialisation of Mouse Nerve Growth Factor for Injection (注射用鼠神經生長因子研發及產業化)	Fiscal appropriation	10,560,089.27	10,560,089.28	Other income	Related to assets
Provincial Science and Technology Innovation Strategy Special Fund (省科技創新戰略專項資金)	Fiscal appropriation	473,166.56	57,999.84	Other income	Related to assets
Import discount and supporting funds (進口貼息及配套資金)	Fiscal appropriation	0.00	500,000.00	Other income	Related to income
Promoting Imports of Foreign Trade Development Special Fund (外貿經濟發展專項資金)	Fiscal appropriation	50,352.00	1,809,479.00	Other income	Related to income
Subsidy for Rental and Property Fee of the Investment and Promotion Center (投促中心租金及物業費補貼)	Fiscal appropriation	67,500.00	0.00	Other income	Related to income
Technological Upgrading and Transformation Projects of Workshop for Acarbose (API of α -Glucosidase Inhibitor) (α -葡萄糖苷酶抑制劑類原料藥阿卡波糖生產車間工藝升級技術改造項目)	Fiscal appropriation	107,142.84	107,142.84	Other income	Related to assets
Subsidy for the Tender of Technology Upgrade Project for PVC Soft Bag Supported by Provincial Finance Departments (省財政支持技改招標項目補助金 PVC 軟袋)	Fiscal appropriation	408,365.76	403,699.30	Other income	Related to assets

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

60. Government grants (continued)

(2) Government grants charged to profit and loss of current period by adopting gross amount method (continued)

Projects with grants	Type	Amount charged to profit and loss for the Previous Period	Amount charged to profit and loss for the Period	Presentation item charged to profit and loss	Related to assets/income
Technical transformation project of Shenqi Fuzheng Injection with flexible bag (軟袋參芪扶正注射液技改項目)	Fiscal appropriation	3,823,529.40	3,823,529.40	Other income	Related to assets
Demonstration project on the application of solar photovoltaic architecture (太陽能光電建築應用示範項目)	Fiscal appropriation	1,102,000.08	1,102,000.08	Other income	Related to assets
Electricity Incentive Funds (用電獎勵資金)	Fiscal appropriation	364,257.43	20,000.00	Other income	Related to income
Subsidies for high and new technology enterprises and high and new technology products (高新技術企業及高新技術產品項目補貼)	Fiscal appropriation	1,071,346.00	250,000.00	Other income	Related to income
Grants to high-growth technology companies from Dazhangjiang project A04 (大張江項目 A04 對高增長技術企業資助款)	Fiscal appropriation	1,500,000.00	1,500,000.00	Other income	Related to income
Small and medium enterprise market development project funds (中小企業開拓市場項目資金)	Fiscal appropriation	0.00	90,000.00	Other income	Related to income
Provision for technology transformation funds and subsequent grants (技術改造資金撥款及事後補獎)	Fiscal appropriation	1,576,000.00	2,300,000.00	Other income	Related to income
Provision for technology transformation funds and subsequent grants (技術改造資金撥款及事後補獎)	Fiscal appropriation	4,131,600.00	2,543,679.56	Other income	Related to assets
R&D and commercialisation of Statins (降血脂他汀類藥物的研發與產業化)	Fiscal appropriation	29,999.88	30,000.48	Other income	Related to assets
Technology transformation of recycling system of Acarbose project (阿卡波糖回收系統技術改造項目)	Fiscal appropriation	397,818.48	397,818.48	Other income	Related to assets
Commissioner workstation (特派員工作站)	Fiscal appropriation	60,000.00	60,000.00	Other income	Related to assets
Special Fund and Encouraging funds for Energy Saving and Emission Reduction (節能減排專項資金及獎勵金)	Fiscal appropriation	352,000.00	289,500.00	Other income	Related to income
Energy-saving and emission reduction projects (節能減排項目)	Fiscal appropriation	86,030.04	86,030.04	Other income	Related to assets
Scientific technology award and subsidy for technological innovative project (科學技術獎及科技創新項目資助)	Fiscal appropriation	7,352,000.00	2,663,400.00	Other income	Related to income
Scientific technology award and subsidy for technological innovative project (科學技術獎及科技創新項目資助)	Fiscal appropriation	250,000.00	0.00	Other income	Related to assets
Set-up and research fund for postdoctoral Station (博士後建站和科研補貼)	Fiscal appropriation	100,000.00	6,283.19	Other income	Related to income
Patent (Intellectual Property) Support Fund (專利(知識產權)資助資金)	Fiscal appropriation	849,370.00	548,500.00	Other income	Related to income
Optimization of structural effect of sea organisms and valuation of anti-tumor activity(海洋微生物構效優化與抗腫瘤活性評價)	Fiscal appropriation	12,307.34	213,157.10	Other income	Related to income
Policy fund for leading industrial enterprises loan interests (工業龍頭企業貸款貼息政策資金)	Fiscal appropriation	200,000.04	200,000.04	Other income	Related to assets
Government grant for industrial transformation (工業轉型政府扶持資金)	Fiscal appropriation	199,999.92	199,999.92	Other income	Related to assets
Reward Fund for Industry Growth and Production Expansion (工業保值增長及增產獎勵)	Fiscal appropriation	5,050,000.00	667,700.00	Other income	Related to income

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

60. Government grants (continued)

(2) Government grants charged to profit and loss of current period by adopting gross amount method (continued)

Projects with grants	Type	Amount charged to profit and loss for the Previous Period	Amount charged to profit and loss for the Period	Presentation item charged to profit and loss	Related to assets/ income
New industrialization development funds (新型工業化發展資金)	Fiscal appropriation	350,000.04	350,000.04	Other income	Related to assets
Industrial revitalisation supporting funds (產業振興扶持資金)	Fiscal appropriation	1,158,000.00	1,158,000.00	Other income	Related to assets
Industrial supporting funds (產業扶持資金)	Fiscal appropriation	13,000.00	944,100.00	Other income	Related to income
Supporting funds for five advantageous industrial clusters and one high-tech industry (五優一新扶持資金)	Fiscal appropriation	99,999.96	99,999.96	Other income	Related to assets
Employment Assurance and Re-employment and Attraction to Graduates of Tertiary Academic Institutions Subsidy (企業穩崗及再就業和吸納高校畢業生補貼款)	Fiscal appropriation	5,024,018.69	5,949,048.90	Other income	Related to income
New Scientific Research Institution Subsidy (新型科研機構補助資金)	Fiscal appropriation	2,000,000.00	0.00	Other income	Related to assets
Enterprise Technology Center Innovation Capacity Development (Antibody Laboratory) (企業技術中心創新能力建設(抗體藥物試驗室))	Fiscal appropriation	445,755.36	514,338.20	Other income	Related to assets
Enterprise Technology Center Innovation Capacity Development (Antibody Laboratory) (企業技術中心創新能力建設(抗體藥物試驗室))	Fiscal appropriation	75,330.36	6,747.52	Other income	Related to income
Special funds for industry and informatization (工業和信息化專項資金)	Fiscal appropriation	48,000.00	0.00	Other income	Related to income
Supporting subsidy for "Talents Plan" and subsidy for talents introduction and cultivation ("人才計劃"配套補貼及引才育才補貼)	Fiscal appropriation	646,759.03	583,774.23	Other income	Related to income
Award for Informatization and Industrialization Integration Management System (兩化融合獎勵)	Fiscal appropriation	0.00	500,000.00	Other income	Related to income
Incentive funds for expansion of export scale (擴大出口規模獎勵基金)	Fiscal appropriation	519,700.00	456,300.00	Other income	Related to income
Subsidy for online monitoring equipment for coal-fired boilers (燃煤鍋爐在線監控設備裝置補助)	Fiscal appropriation	22,500.00	22,500.00	Other income	Related to assets
Special funds for key leading enterprises in the 13th Five-Year Plan (2019) (十三重點領軍企業專項資金(2019年))	Fiscal appropriation	0.00	14,133,300.00	Other income	Related to income
Green factory (綠色工廠)	Fiscal appropriation	129,999.96	129,999.96	Other income	Related to assets
Special capital replenishment for industrial enterprise Restructuring (工業企業結構調整專項資本補資)	Fiscal appropriation	130,000.00	0.00	Other income	Related to income
Research on transformation of bacterial strains and fermentation process (菌種改造與發酵工藝研究)	Fiscal appropriation	160,000.00	0.00	Other income	Related to income
Refund of unemployment insurance fees (失業保險費返還款)	Fiscal appropriation	29,476.67	0.00	Other income	Related to income
Subsidies for work-based training (以工代訓補貼)	Fiscal appropriation	848,400.00	395,000.00	Other income	Related to income
Subsidies for insurance fees (保險費用補貼)	Fiscal appropriation	200,000.00	609,243.30	Other income	Related to income
Subsidies and supporting funds for production of emergency materials in Xiangzhou District (香洲區應急物資生產補貼扶持資金)	Fiscal appropriation	1,000.00	0.00	Other income	Related to income

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

60. Government grants (continued)

(2) Government grants charged to profit and loss of current period by adopting gross amount method (continued)

Projects with grants	Type	Amount charged to profit and loss for the Previous Period	Amount charged to profit and loss for the Period	Presentation item charged to profit and loss	Related to assets/ income
Subsidies and supporting funds for production of emergency materials in Xiangzhou District (香洲區應急物資生產補貼扶持資金)	Fiscal appropriation	2,088.50	2,317.04	Other income	Related to assets
Special Funds for Promoting High-quality Economic Development (促進經濟高質量發展專項資金)	Fiscal appropriation	357,200.00	5,741,886.91	Other income	Related to assets
Special Funds for Promoting High-quality Economic Development (促進經濟高質量發展專項資金)	Fiscal appropriation	3,540,020.00	11,578,756.00	Other income	Related to income
Funds for joint R&D and industrialization of integrated platform for molecular diagnostics (集成一體化分子診斷平台的合作研發及產業化)	Fiscal appropriation	1,368,367.87	127,715.81	Other income	Related to assets
Employment tax incentives for key groups and retired soldiers (重點群體及退役士兵就業稅收優惠)	Fiscal appropriation	66,400.00	64,900.00	Other income	Related to income
Funds for industrial volatile organic pollution control projects (工業揮發性有機污染治理項目資金)	Fiscal appropriation	628,000.00	0.00	Other income	Related to income
Achievement transfer of blood screening BCI nucleic acid detection testing (血液篩查 BCI 核酸檢測試劑成果轉化)	Fiscal appropriation	2,038,717.57	631,622.73	Other income	Related to assets
COVID-19 emergency technology special emergency fund and special grants for industrialization (新冠應急科技攻關專項款及產業化項目補助金)	Fiscal appropriation	1,084,784.35	26,694.08	Other income	Related to assets
"Specialized and new" subsidy ("專精特新"補貼)	Fiscal appropriation	175,000.00	1,200,000.00	Other income	Related to income
Exchange rate hedging subsidy (匯率避險補貼)	Fiscal appropriation	106,605.00	183,295.00	Other income	Related to income
National foreign special fund for 2020 allocated by Guangdong Province Science and Technology Department (廣東省科學技術廳撥來 2020 年度國家外專款)	Fiscal appropriation	300,000.00	0.00	Other income	Related to income
Factory rental subsidy in Hengqin Guangdong-Macao In-depth Cooperation Zone (橫琴粵澳深度合作區廠房租金補貼)	Fiscal appropriation	0.00	690,024.00	Other income	Related to income
R&D and industrialization of hi-tech self-emulsifying soft capsule preparation of cyclosporine (高技術屏障的環孢素自乳化軟膠囊製劑的開發及產業化研究)	Fiscal appropriation	0.00	14,000.00	Other income	Related to assets
Guangdong Provincial Key Laboratory of Characteristic Drug Research and Development Enterprises (廣東省特色藥物研發企業重點實驗室)	Fiscal appropriation	0.00	58,333.31	Other income	Related to assets
Zhuhai Investment Investment Promotion Award (珠海市招商引資獎)	Fiscal appropriation	0.00	600,000.00	Other income	Related to income
National Science and Technology Major Project Fund (國家科技重大專項項目後補助資金) LZM009	Fiscal appropriation	0.00	2,362,093.09	Other income	Related to assets
Data-driven industrial chain collaboration platform demonstration project (數據驅動的產業鏈協同平台示範項目)	Fiscal appropriation	0.00	730,000.00	Other income	Related to assets

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

60. Government grants (continued)

(2) Government grants charged to profit and loss of current period by adopting gross amount method (continued)

Projects with grants	Type	Amount charged to profit and loss for the Previous Period	Amount charged to profit and loss for the Period	Presentation item charged to profit and loss	Related to assets/income
Several measures to pay enterprises to tide over difficulties in response to COVID-19 pandemic – funds for financial support project (應對新型冠狀病毒肺炎疫情支付企業共渡難關的若干措施 – 金融支持項目資金)	Fiscal appropriation	6,093,000.00	381,000.00	Other income	Related to income
Project funds for promoting the development of biopharmaceutical industry (促進生物醫藥產業發展用途項目資金)	Fiscal appropriation	0.00	7,665,180.00	Other income	Related to income
Hun Yuan County Agriculture Bureau's "Sannong Project" in 2021 (渾源縣農業局 2021 年“三農項目”)	Fiscal appropriation	0.00	150,000.00	Other income	Related to income
Application of artificial intelligence in triptorelin long-acting microspheres preparation (人工智能在曲普瑞林長效微球製劑中的應用)	Fiscal appropriation	0.00	800,000.00	Other income	Related to income
Others	Fiscal appropriation	54,990.49	266,400.00	Other income	Related to income
Total		206,479,154.93	180,854,828.13		

Government grants were mainly from grants for projects such as enterprises operation, R&D, technology transformation, technology innovation, export credit insurance, pandemic emergency and employment assurance from relevant government authorities such as development and reform, finance, commerce, technology, technology and industrial information bureau, human resources and social security bureau of prefecture, provincial and municipal level government of the place where the Company and its subsidiaries operate.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

60. Government grants *(continued)*

(3) Government grants adopting the netting method to offset the relevant cost

Nil.

(4) Government grants refunded during the Period

Project	Amount	Reason
Research and development funds for new drug for Class I Treatment of humanized anti-TNF- α monoclonal antibody (I 類治療用人源化抗人腫瘤壞死因子 α 單克隆抗體 新藥研製資金)	2,076,000.00	Remaining funds returned in project settlement
China Postdoctoral Science Foundation subsidy funds (中國博士後科學基金會資助經費)	73,716.81	Balance returned

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

VI. CHANGES IN THE SCOPE OF CONSOLIDATION

On 12 January 2022, Livzon Biologics Hong Kong Limited (麗珠生物科技香港有限公司) established LIVZON BIOLOGICS (MALAYSIA) SDN. BHD. with a registered capital of MYR100, of which the Company contributed MYR100 and is interested in 100% of its registered capital.

VII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Group structure

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Ando Development Limited (安滔發展有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD500,000	100		Set-up
Lizhu (Hong Kong) Co., Limited (麗珠(香港)有限公司)	Wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD451,000,000	100		Set-up
Livzon International Ventures	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD50,000		100	Set-up
Livzon International Ventures I	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD50,000		100	Set-up
Livzon International Ventures II	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD50,000		100	Set-up
Lian Hong Kong Limited (麗安香港有限公司)	Wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD313,000,000	100		Set-up
Zhuhai Modern Chinese Medicine High Technology Co., Ltd. (珠海現代中藥高科技有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Provision of services	RMB6,000,000	75	25	Set-up
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB450,000,000	74.46	25.54	Set-up
Livzon Group Livzon Pharmaceutical Marketing Co., Ltd. (麗珠集團麗珠醫藥營銷有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Trade of goods	RMB20,000,000	60.04	39.96	Set-up
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Trade of goods	RMB60,000,000	66.67	33.33	Set-up
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	Holding subsidiary	Limited company	Shanghai	Shanghai	Manufacture of medicine	RMB87,330,000	36	15	Set-up
Shanghai Livzon Biotechnology Co., Ltd. (上海麗珠生物科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Shanghai	Shanghai	Manufacture of medicine	RMB10,000,000		75	Set-up
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB128,280,000		100	Set-up
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Jiaozuo	Jiaozuo	Manufacture of medicine	RMB70,000,000		100	Set-up

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(1) Group structure (continued)

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	Holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB400,000,000	39.425 (Note)		Set-up
Companhia de Macau Carason Limitada (澳門嘉安信有限公司)	Subsidiary of a holding subsidiary	Limited company	Macau	Macau	Trade of goods	MOP100,000		100	Set-up
Zhuhai Lihe Medical Diagnostic Product Company Limited (珠海麗禾醫療診斷產品有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB15,000,000		100	Set-up
Shanghai Lihang Biotechnology Co., Limited (上海麗航生物科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Shanghai	Shanghai	Provision of services	RMB1,000,000		100	Set-up
Suzhou Lidi Biological Technology Co., Ltd. (蘇州麗迪生物科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Suzhou	Suzhou	Technology development	RMB1,000,000		100	Set-up
Zhuhai Liheng Medical Diagnostic Products Co., Ltd. (珠海立恒醫療診斷產品有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB15,000,000		100	Set-up
Zhuhai Liye Biotechnology Co., Ltd. (珠海市麗業生物技術有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB50,000,000		100	Set-up
Changsha Lijin Baokang Medical Technology Co., Ltd. (長沙麗瑾葆康醫療科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Changsha	Changsha	Manufacture of special equipment	RMB1,000,000		100	Set-up
Livzon Pharmaceutical Biotechnology Co., Ltd. (麗珠醫藥生物科技有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Provision of services	HKD10,000		100	Set-up
Zhuhai Livzon Advertising Co., Ltd. (珠海麗珠廣告有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Provision of services	RMB1,000,000	10	90	Set-up
Livzon Group Livzon Baiheng Biological Materials Co., Ltd. (麗珠集團麗珠一拜阿蒙生物材料有限公司)	Holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB12,000,000	57	25	Set-up
Livzon Group Livzon Medical Research Centre (麗珠集團麗珠醫藥研究所)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB10,000,000	60.04	39.96	Set-up
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	Holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB65,000,000	83.85		Set-up
Li Zhu (Macau) Limitada (麗珠(澳門)有限公司)	Wholly-owned subsidiary	Limited company	Macau	Macau	Investment	MOP100,000		100	Set-up
Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB353,486,850	60	40	Set-up
Zhuhai Livzon Pharmaceutical Equity Investment Management Co., Ltd. (珠海市麗珠醫藥股權投資管理有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Investment	RMB500,000,000	90	10	Set-up

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(1) Group structure (continued)

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Livzon Bio, Inc. (珠海市麗珠生物醫藥科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB889,023,284	55.13		Set-up
Livzon Biologics Hong Kong Limited (麗珠生物科技香港有限公司)	Subsidiary of a holding subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD400 +RMB600,000,000 +USD118,640,000		100	Set-up
Zhuhai Kadi Medical Biotechnology Inc. (珠海市卡迪生物醫藥有限公司)	VIE	Limited company	Zhuhai	Zhuhai	Technology development	RMB1,000,000		100	VIE
LIVZON BIOLOGICS (MALAYSIA) SDN. BHD.	Subsidiary of a holding subsidiary	Limited company	Malaysia	Malaysia	Technology development	MYR 100		100	Set-up
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB1,453,330,000		100	Set-up
Livzon MABPharm (US) Inc. (麗珠單抗生物技術(美國)有限公司)	Subsidiary of a holding subsidiary	Limited company	Boston	Boston	Technology development	USD1,100,000		100	Set-up
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Wholly-owned subsidiary	Limited company	Pengzhou	Pengzhou	Manufacture of medicine	RMB149,000,000	57.41	42.59	Consolidation not under common control
Gongshan Livzon Pharmaceutical Technology Limited (貢山麗珠藥源科技有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Gongshan	Gongshan	Crop farming	RMB1,000,000		100	Set-up
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	Holding subsidiary	Limited company	Qingyuan	Qingyuan	Manufacture of medicine	RMB239,887,700	87.14		Consolidation not under common control
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	Subsidiary of a holding subsidiary	Limited company	Pingluo county	Pingluo county	Manufacture of medicine	RMB200,000,000		100	Set-up
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	Subsidiary of a holding subsidiary	Limited company	Fuzhou	Fuzhou	Manufacture of medicine	USD41,700,000		100	Consolidation not under common control
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Subsidiary of a holding subsidiary	Limited company	Gutian county	Gutian county	Manufacture of medicine	RMB26,700,000		100	Consolidation not under common control
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Wholly-owned subsidiary	Limited company	Shaoguan	Shaoguan	Manufacture of medicine	RMB61,560,000	65.10	34.90	Consolidation not under common control
Datong Livzon Qiyuan Medicine Co., Ltd. (大同麗珠芪源藥材有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Hunyuan county	Hunyuan county	Crop farming	RMB4,000,000		92.50	Set-up

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES *(continued)*

1. Equity in subsidiaries *(continued)*

(1) Group structure *(continued)*

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Longxi Livzon Shenyuan Medicine Co., Ltd. (隴西麗珠參源藥材有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Longxi county	Longxi county	Crop farming	RMB4,000,000		100	Set-up
Shanghai Liyu Biopharmaceutical Technology Co., Ltd. (上海麗予生物醫藥技術有限責任公司)	Holding subsidiary	Limited company	Shanghai	Shanghai	Technology development	RMB3,000,000	55		Set-up
Zhuhai Livzon Pharmaceuticals Import and Export Trading Co., Ltd. (珠海市麗珠醫藥進出口貿易有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Trade of goods	RMB10,000,000	75	25	Set-up
Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB30,000,000	50	50	Set-up

Note: The Company is the largest shareholder of Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (“Livzon Diagnostics”). Pursuant to Article 25 of the Articles of Association of Livzon Diagnostics, the board of directors of Livzon Diagnostics consists of nine Directors. The Company will appoint 4 directors of its board of directors, representing more than half of the 6 non-independent directors, and one of them shall be appointed as the chairman of the board of directors. Pursuant to Article 73 of the Articles of Association of Livzon Diagnostics, “ordinary resolutions made by the General Meetings must be passed by more than half of the voting rights represented by the shareholders (including proxies) present at the the shareholders’ general meetings”. Ordinary resolutions includes annual financial budget, final accounts and other related businesses. Through its influence over the shareholders’ general meetings and the board of directors of Livzon Diagnostics, the Company has the control over Livzon Diagnostics. As such, the Company includes Livzon Diagnostics in the scope of consolidation.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(2) Important non-wholly owned subsidiaries

Name of subsidiaries	Percentage of minority interests (%)	Profit and loss attributable to minority interests for the Period	Dividends declared for distribution to minority interests during the Period	Balance of equity of minority interests at the End of the Period
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司) (consolidated)	49.00	264,605,813.32	0.00	552,741,294.01
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	60.575	50,925,470.88	0.00	463,498,271.94
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	44.87	-326,932,891.50	0.00	-221,856,327.60
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	12.86	61,388,997.07	0.00	232,274,256.64

(3) Major financial information on important non-wholly owned subsidiaries

Name of subsidiaries	Balance at the End of the Period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司) (consolidated)	1,654,285,766.61	127,290,460.74	1,781,576,227.35	648,671,493.04	7,650,643.29	656,322,136.33
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	915,993,480.16	294,176,584.58	1,210,170,064.74	420,665,118.30	24,339,525.03	445,004,643.33
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	880,846,763.75	847,943,845.95	1,728,790,609.70	364,488,923.50	1,858,744,136.82	2,223,233,060.32
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	1,905,990,958.92	1,712,950,155.46	3,618,941,114.38	1,465,837,615.62	47,942,166.18	1,513,779,781.80

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(3) Major financial information on important non-wholly owned subsidiaries (continued)

Name of subsidiaries	Current assets	Balance s at the End of the Previous Year		Current liabilities	Non-current liabilities	Total liabilities
		Non-current assets	Total assets			
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司) (consolidated)	1,447,156,129.69	103,582,498.76	1,550,738,628.45	459,501,281.13	3,723,206.37	463,224,487.50
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	675,304,456.52	283,400,046.02	958,704,502.54	263,312,626.65	25,459,995.83	288,772,622.48
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	412,444,141.51	994,644,707.28	1,407,088,848.79	1,091,121,678.89	98,469,272.11	1,189,590,951.00
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	1,764,277,235.34	1,738,127,872.48	3,502,405,107.82	1,471,204,786.54	51,048,844.18	1,522,253,630.72

Name of subsidiaries	Amount for the Period				Amount for Previous Period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司) (consolidated)	1,871,089,916.10	535,652,021.72	535,652,021.72	605,216,529.76	1,755,622,629.44	507,539,781.14	507,539,781.14	533,149,949.17
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	742,720,684.16	72,121,220.19	72,546,387.05	209,564,043.05	728,974,566.95	58,594,770.35	58,459,331.06	-24,438,571.62
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	205,866,313.92	-728,622,445.95	-728,605,724.14	-484,752,782.02	43,183,161.41	-347,064,408.35	-347,091,408.26	-489,819,516.99
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	2,262,590,907.42	477,363,896.36	477,363,896.36	655,219,501.18	2,064,215,061.28	379,187,831.91	379,187,831.91	479,873,023.82

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

- (4) Transactions that result in change of owners' equity in subsidiaries without losing control
Nil.

2. Equity in associates

(1) Important associates

Name of joint ventures or associates	Principal place of business	Place of registration	Nature of business	Percentage of shareholding (%)		Accounting treatments for investments in joint ventures or associates
				Direct	Indirect	
Associates						
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	Tianjin	Tianjin	Manufacture of medicine	40.00		Equity method

(2) Major financial information on important associates

Item	Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) 2022.12.31
Owners' equity attributable to the parent company	570,306,493.51
Net assets shares calculated based on the proportion of the shares	228,122,597.40
Adjusting items	
Of which: Goodwill	498,457,683.68
Carrying amount of equity investment in associates	726,580,281.08
Fair value of equity investments with public offer	

Continued:

Item	Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) Amount for the Period
Operating income	1,086,062,042.02
Dividends received by the enterprise from associates for the Period	111,980,000.00

The Company calculated share of assets by shareholding ratio based on the amount attributable to the parent company in the associates' consolidated financial statements. The amounts of associates on the consolidated financial statements take into account the fair value of net identifiable assets and liabilities of the associate when acquiring the investment and the effect of unifying accounting policies. The data set forth above is the performance forecast of Tianjin Tongrentang.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES *(continued)*

2. Equity in associates *(continued)*

(3) Summarized financial information of other non-important associates

Item	Balance at the End of the Period/ Amount for the Period	Balance for End of the Previous Year/ Amount for Last Period
Associates:		
Total carrying amount of investments	329,359,045.41	313,418,486.08
Total amount calculated by percentage of shareholding		
Net profit	-21,084,846.59	-13,556,957.07
Other comprehensive income	527,718.52	-30,268.27
Total comprehensive income	-20,557,128.07	-13,587,225.34

(4) Explanation of major restrictions on the capacity of capital transfer from associates to the Company

Nil.

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The major financial instruments of the Company include monetary funds, bills receivable, accounts receivable, other receivables, other current assets, financial assets held for trading, other equity instrument investments, bills payable, accounts payable, other payables, short-term borrowings and financial liabilities held for trading, non-current liabilities due within one year, long-term borrowings, lease liabilities and long-term payables. The details of these financial instruments are disclosed in the respective notes. The risks relating to these financial instruments and the financial management policies adopted by the Company to minimize these risks are disclosed as below. The management of the Company manages and monitors the exposure of these risks to ensure the above risks are controlled in the limited range.

1. Risk management objectives and policies

The operation activities of the Company are subject to various types of financial risks: market risk (mainly including foreign exchange risks and interest rate risks), credit risk and liquidity risk. The Company formulates an overall risk management plan with respect to the unforeseeability of the financial market in order to minimize the potential adverse impacts on the financial performance of the Company.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

1. Risk management objectives and policies *(continued)*

(1) Foreign exchange risk

The Company conducts its operations primarily in China. Substantially all of the transactions are denominated and settled in Renminbi. However, the Company still has some import and export businesses regarding APIs and diagnostic reagents that are settled in U.S. dollar and Japanese Yen. The Company's businesses outside China (mainly in Hong Kong) are settled in Hong Kong dollars. In addition, the Company will have foreign currency loans according to the operating needs. In summary of the above, the Company still exposes to certain foreign exchange risks. Taking into account the foreign exchange risks acceptable to the Company, the Company adopted non-hedging foreign currency forward contracts to control foreign exchange risk. However, as to the foreign exchange risk in loans, the Company shall closely monitor the trend of the exchange rate of Renminbi, and timely adjust the extent of borrowings, so as to minimize the risks.

Financial assets and liabilities in foreign currencies held by the Company expressed in Renminbi are stated below:

① 31 December 2022

Unit: RMB'000

Item	HKD item	USD item	Euro item	JPY item	CHF item	MOP item
Financial assets in foreign currency:						
Monetary funds	9,690.02	908,024.36	699.47	18,052.98	0.00	4,272.78
Financial assets held for trading	87,193.75	0.00	0.00	0.00	0.00	0.00
Accounts receivable	0.00	280,766.15	0.00	0.00	0.00	1,097.96
Other receivables	1,078.72	0.00	0.00	0.00	0.00	504.53
Other current assets	0.00	92,815.74	0.00	0.00	0.00	0.00
Other equity instrument investments	365,878.73	0.00	0.00	0.00	0.00	0.00
Subtotal:	463,841.22	1,281,606.25	699.47	18,052.98	0.00	5,875.27
Financial liabilities in foreign currency:						
Short-term loans	0.00	13,464.86	0.00	0.00	0.00	0.00
Account payables	0.00	3,569.18	42.05	14,627.29	141.89	0.00
Other payables	2,583.45	27,967.54	0.00	0.00	0.00	0.00
Subtotal:	2,583.45	45,001.58	42.05	14,627.29	141.89	0.00

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(1) Foreign exchange risk (continued)

② 31 December 2021

	Unit: RMB'000					
Item	HKD item	USD item	Euro item	JPY item	CHF item	MOP item
Financial assets in foreign currency:						
Monetary funds	58,037.41	1,032,929.54	556.14	2,406.62	0.00	1,121.33
Financial assets held for trading	163,071.45	0.00	0.00	0.00	0.00	0.00
Accounts receivable	0.00	399,047.63	4,493.18	0.00	0.00	2,824.85
Other receivables	856.27	0.00	0.00	0.00	0.00	461.23
Other equity instrument investments	339,104.38	0.00	0.00	0.00	0.00	0.00
Subtotal:	561,069.51	1,431,977.17	5,049.32	2,406.62	0.00	4,407.41
Financial liabilities in foreign currency:						
Accounts payable	0.00	213.29	40.90	0.00	0.00	11.01
Other payables	2,502.02	16,034.63	0.00	0.00	0.00	0.00
Subtotal:	2,502.02	16,247.92	40.90	0.00	0.00	11.01

As at 31 December 2022, in respect of the Company's financial assets and liabilities denominated in Hong Kong dollar, U.S. dollar, Euro, Japanese Yen and Macau dollar, should the value of RMB appreciate or depreciate by 5% against Hong Kong dollar, U.S. dollar, Euro, Japanese Yen and Macau dollar, and other factors remain unchanged, the Company would be subject to an increase or decrease in profit of approximately RMB85,383,950 (31 December 2021: approximately RMB99,305,410).

(2) Interest rate risk

The Company's exposures to interest rate risk are mainly arising from interest-bearing liabilities such as bank loans. The interest rates are affected by the macro monetary policies of China, hence the Company will face the risks arising from fluctuations of interest rates in the future.

The finance department of the head office of the Company continues to monitor the level of interest rate. The rise in the interest rate will increase the cost of additional interest-bearing liabilities and the interest expenses of the Company's outstanding interest-bearing liabilities of which the interests are calculated at floating rates, and will have material adverse impact on the financial results of the Company. The management will make timely adjustment based on the updated market conditions. The directors of the Company consider that the future changes in the interest rate will not have material adverse impact on the operating results of the Company.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

1. Risk management objectives and policies *(continued)*

(3) Credit risk

Credit risk is primarily attributable to cash and cash equivalents, restricted funds, accounts receivable and other receivables. In respect of deposits at banks, they are placed in several banks with good reputation, and the credit risk faced by us is limited. In respect of receivables, the Company will assess the credit limit granted to customers for credit purpose. Moreover, as the customer base is large, the credit risk from accounts receivable is not concentrated. In respect of the settlement of bills receivable, since more quality bills such as bank acceptance bills are used, it is expected that there should be no significant credit risks as to whether the Company decides to hold the bills for redemption upon maturity or endorse them to external parties for payment based on capital requirements. In addition, the impairment provisions for accounts receivable and other receivables are adequate to manage the credit risk.

Among the accounts receivable of the Company, the accounts receivable from the top five customers accounted for 10.76% (31 December 2021: 10.11%); among other receivables of the Company, the other receivables from the top five customers accounted for 43.73% (31 December 2021: 57.46%).

(4) Liquidity risk

Liquidity risk refers to the risk of shortage of funds that the Company may encounter in meeting its obligations of settlement by delivering cash or other financial assets.

The Company adopts prudent liquidity risk management for the sufficient supply of monetary funds and liquidity. It secures readily available credit loans from banks mainly by maintaining adequate monetary funds and banking facilities. Apart from indirect financing from banks, a number of financing channels are available, such as direct financing by inter-bank market (including short-term financing bills and medium-term notes) and corporate bonds etc. These instruments can effectively reduce the effects of the scale of financing and the macro monetary policies of China on indirect bank financing, and enable us to secure adequate funds in a flexible manner.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

1. Risk management objectives and policies *(continued)*

(4) Liquidity risk *(continued)*

As at the balance sheet date, the contractual cash flows of financial assets and financial liabilities of the Company are presented below in terms of maturity:

① 31 December 2022

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Monetary funds	10,411,348,410.09	0.00	0.00	0.00	10,411,348,410.09
Financial assets held for trading	108,094,033.51	0.00	0.00	0.00	108,094,033.51
Bills receivables	1,623,939,626.22	0.00	0.00	0.00	1,623,939,626.22
Accounts receivable	2,415,256,725.64	0.00	0.00	0.00	2,415,256,725.64
Other receivables	44,426,856.44	0.00	0.00	0.00	44,426,856.44
Other current assets	104,859,166.96	0.00	0.00	0.00	104,859,166.96
Subtotal:	14,707,924,818.86	0.00	0.00	0.00	14,707,924,818.86
Financial liabilities:					
Short-term loans	1,622,239,859.89	0.00	0.00	0.00	1,622,239,859.89
Financial liabilities held for trading	710,034.43	0.00	0.00	0.00	710,034.43
Bills payable	1,007,745,986.84	0.00	0.00	0.00	1,007,745,986.84
Accounts payable	854,276,460.61	0.00	0.00	0.00	854,276,460.61
Other payables	2,970,648,095.37	0.00	0.00	0.00	2,970,648,095.37
Non-current liabilities due within one year	10,440,962.31	0.00	0.00	0.00	10,440,962.31
Other current liabilities	83,541,891.93	0.00	0.00	0.00	83,541,891.93
Lease liabilities	0.00	6,510,634.56	5,097,363.87	0.00	11,607,998.43
Long-term loans	0.00	907,182,927.81	1,067,261,115.07	0.00	1,974,444,042.88
Subtotal:	6,549,603,291.38	913,693,562.37	1,072,358,478.94	0.00	8,535,655,332.69

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

1. Risk management objectives and policies *(continued)*

(4) Liquidity risk *(continued)*

② 31 December 2021

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Monetary funds	9,146,373,455.01	0.00	0.00	0.00	9,146,373,455.01
Financial assets held for trading	182,773,354.56	0.00	0.00	0.00	182,773,354.56
Bills receivables	1,342,029,380.44	0.00	0.00	0.00	1,342,029,380.44
Accounts receivable	1,951,898,111.20	0.00	0.00	0.00	1,951,898,111.20
Other receivables	47,768,970.54	0.00	0.00	0.00	47,768,970.54
Non-current assets due within 1 year	317,381.23	0.00	0.00	0.00	317,381.23
Long-term receivables	0.00	266,904.13	0.00	0.00	266,904.13
Subtotal:	12,671,160,652.98	266,904.13	0.00	0.00	12,671,427,557.11
Financial liabilities:					
Short-term loans	2,043,048,023.71	0.00	0.00	0.00	2,043,048,023.71
Financial liabilities held for trading	143,302.24	0.00	0.00	0.00	143,302.24
Bills payable	1,026,619,858.93	0.00	0.00	0.00	1,026,619,858.93
Accounts payable	790,679,701.29	0.00	0.00	0.00	790,679,701.29
Other payables	2,416,840,968.10	0.00	0.00	0.00	2,416,840,968.10
Non-current liabilities due within one year	9,284,335.86	0.00	0.00	0.00	9,284,335.86
Lease liabilities	0.00	3,805,277.68	1,468,963.12	0.00	5,274,240.80
Long-term loans	0.00	356,780,252.78	280,000,000.00	0.00	636,780,252.78
Subtotal:	6,286,616,190.13	360,585,530.46	281,468,963.12	0.00	6,928,670,683.71

2. Capital management

The capital management policies are made to keep the continuous operation of the Company, to enhance the return to shareholders, to benefit other stakeholders and to maintain the best capital structure to minimize the cost of capital.

For the maintenance or adjustment of the capital structure, the Company may adjust financing methods, the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments or make an asset disposal to reduce the liabilities.

The Company monitors the capital structure with the gearing ratio (calculated by dividing total liabilities by total assets). On 31 December 2022, the Company's gearing ratio is 39.93% (31 December 2021: 36.03%).

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

3. Transfer of financial assets

(1) Financial assets which are transferred but have not been derecognized in their entirety

Nil.

(2) Financial assets which have been transferred and ceased to be recognized but still have involvement with the transferor

For the Period, the Company discounted RMB100,742,839.42 bank acceptance bills (Previous Period: RMB0.00). As the main risks (such as interest risks) related to these bank acceptance bills were transferred to the bank, the Company derecognized the undue bank acceptance bills that had been discounted. According to the discount agreement, if such bills are not accepted when due, the bank is entitled to request the Company to honor the unsettled amount. As such, the Company is still involved in discounted bank acceptance bills. On 31 December 2022, the Company has discounted undue bank acceptance bills of RMB10,283,462.46 (31 December 2021: RMB0.00).

On 31 December 2022, the Company's carrying amount of bank acceptance bills undue and endorsed to suppliers for settling accounts payable was RMB155,767,010.57 (31 December 2021: RMB169,604,780.51); the Company had no commercial acceptance bills undue and endorsed to suppliers for settling accounts payable (31 December 2021: RMB0.00). On 31 December 2022, the due dates were within 1 to 6 months. In accordance with the relevant provisions of the Law of Negotiable Instruments, if payment is refused by the bank of acceptance, the holder of the bills shall have a right of recourse against the Company (the "Continuing Involvement"). In the opinion of the Company, the Company had transferred substantially all risks and rewards of the bills. Accordingly, their carrying amounts and the associated accounts payable which had been settled would be derecognized. The maximum loss and the undiscounted cash flows from the Continuing Involvement and repurchase was equal to their carrying amounts. In the opinion of the Company, the fair value of the Continuing Involvement was not significant.

In 2022, no gain or loss was generated by the Company on the date of transfer of the bills. The Company had no current or accumulated gain or expense arising from the Continuing Involvement in financial assets which had been derecognized. The endorsement was incurred evenly throughout the period.

IX. FAIR VALUE

Based on the inputs of the lowest level that are of great significance to the measurement as a whole in the fair value measurement, the fair value can be categorized as:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Observable inputs other than the quoted market price of assets or liabilities in Level 1, either directly (the prices) or indirectly (derived from prices).

Level 3: Any input that is not based on observable market data (unobservable inputs) is used for assets or liabilities.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

IX. FAIR VALUE (continued)

(1) Items and amounts measured at fair value

As at 31 December 2022, assets and liabilities measured at fair value are listed as follows based on the three hierarchies as set out above:

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurement				
(I) Financial assets held for trading	103,583,153.41	4,510,880.10	0.00	108,094,033.51
1. Debt instrument investments	934,289.94	0.00	0.00	934,289.94
2. Equity instrument investments	102,648,863.47	0.00	0.00	102,648,863.47
3. Derivative financial assets	0.00	4,510,880.10	0.00	4,510,880.10
(II) Other equity instrument investments	9,615,483.94	0.00	672,659,787.47	682,275,271.41
Total assets measured at fair value on a recurring basis	113,198,637.35	4,510,880.10	672,659,787.47	790,369,304.92
(III) Financial liabilities held for trading				
1. Derivative financial liabilities	0.00	710,034.43	0.00	710,034.43
Total liabilities measured at fair value on a recurring basis	0.00	710,034.43	0.00	710,034.43
II. Non-recurring fair value measurement				
Held-for-sale assets	0.00	0.00	0.00	0.00
Total assets measured at fair value on a non-recurring basis	0.00	0.00	0.00	0.00
Total liabilities measured at fair value on a non-recurring basis	0.00	0.00	0.00	0.00

In 2022, LUNGLIFE AI, INC., a company in which the Company has held investments, listed on the London Stock Exchange. Therefore, the fair value of such other equity instrument investments transferred from Level 3 to Level 1. Save for such other equity instrument investments, there were no transfers of the fair value measurements of other financial assets and financial liabilities of the Company between level 1 and level 2 and no transfers into or out of level 3.

For financial instruments traded in an active market, the Company measures their fair value at quoted price in the active market. The Company's debt instrument investment and equity instrument investment held for trading are listed and traded in Shenzhen, Hong Kong and the United States, and their fair values are determined based on the closing price on the last trading day of the Reporting Period.

For financial instruments that are not traded in an active market, the Company measures their fair value using valuation techniques. The valuation models used are mainly discounted cash flow model and market comparable entity model. Inputs of the valuation techniques mainly include risk-free interest rate, benchmark interest rate, foreign exchange rate, credit spread, liquidity premium, lack of liquidity discount, etc.

(2) Information about the fair value measurement of level 2

Item	Fair value at the End of the Period	Valuation techniques
Derivative financial assets	4,510,880.10	The fair value is measured at the forward exchange rates quoted by the respective matured contract
Derivative financial liabilities	710,034.43	The fair value is measured at the forward exchange rates quoted by the respective matured contract

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

IX. FAIR VALUE (continued)

(3) The quantitative information of important unobservable input used in the level 3 fair value measurement

Item	Fair value at the End of the Period	Valuation techniques
Other equity instrument investments – Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)	158,400,000.00	Market method
Other equity instrument investments – Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物醫藥(上海)有限公司)	30,513,209.27	Market method
Other equity instrument investments – Zhuhai Medpha Biotechnology Co., Ltd. (珠海麥得發生物科技股份有限公司)	32,099,443.70	latest financing price
Other equity instrument investments – Beijing Luzhu Biotechnology Co., Ltd. (北京綠竹生物技術股份有限公司)	53,654,738.60	latest financing price
Other equity instrument investments – Xiangrong (Shanghai) Biotechnology Co, Ltd. (享融(上海)生物科技有限公司)	19,613,667.00	latest financing price
Other equity instrument investments-GLOBAL HEALTH SCIENCE	271,980,388.15	Net assets
Other equity instrument investments-SCC VENTURE VI 2018-B,L.P.	257,909.57	Net assets
Other equity instrument investments-Nextech V Oncology S.C.S., SICAV-SIF	23,996,121.32	Net assets
Other equity instrument investments – Others	82,144,309.86	Cost method

X. RELATED PARTIES AND RELATED TRANSACTIONS

1. Parent company of the Company

Name of parent company	Place of registration	Nature of business	Registered capital (RMB0'000)	Percentage of the Company's shareholding held by the parent company (%)	Percentage of the Company's voting rights held by the parent company (%)
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Shenzhen	Production and operation of oral liquid, drugs and healthcare food	192,765.5269	23.66	23.66

Notes to the parent company of the Company:

As at 31 December 2022, the Company's parent company and its subsidiaries held a total of 418,878,625 shares in the Company, representing 44.77% of the total share capital of the Company. Among these shares, 17,306,329 legal person shares were held in the name of Guangzhou Begol Trading Holdings Limited (廣州市保科力貿易公司) and the transfer procedures were not completed. The transfer procedures for other shares were completed.

The ultimate controller of the Company: Zhu Baoguo

2. The Company's subsidiaries

Please refer to Note VII.1. for the details of subsidiaries.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

3. Associates of the Company

Please refer to Note V.9. and Note VII.2. for the details of the associates.

Other joint ventures or associates entered into related transactions with the Company during the period, or during the prior period with remaining closing balance were as follows:

Name of joint ventures or associates	Relationship with the Company
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Associate
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	Associate
AbCyte Therapeutics Inc.	Associate
L&L Biopharma, Co., Ltd. (上海健信生物醫藥科技有限公司)	Associate
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Associate
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	A company controlled by the associate
Zhuhai Hengqin Weisheng Precision Medical Technology Co., Ltd. (珠海橫琴維勝精準醫學科技有限公司)	A company controlled by the associate
Aetio Biotherapy, Inc.	Associate
Henan Province Joicare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Associate and a company controlled by the parent company
Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd. (江蘇新元素醫藥科技有限公司)	Associate
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	Associate
Beijing Infinite Intelligence Pharmaceutical Technology Co., Ltd. (北京英飛智藥科技有限公司)	Associate
Shenzhen KangTi Biopharma Technology Co., Ltd (深圳康體生物醫藥科技有限公司)	Associate

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

4. Other related parties of the Company

Name of related parties	Relationship with the Company
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	A company controlled by the parent company
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	A company controlled by the parent company
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	A company controlled by the parent company
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	A company controlled by the parent company
Zhuhai Joincare Pharmaceutical Co., Ltd. (珠海健康元生物醫藥有限公司)	A company controlled by the parent company
Health Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	A company controlled by the parent company
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	A company controlled by the parent company
Shenzhen Taitai Biotechnology Co., Ltd. (深圳太太生物科技有限公司)	A company controlled by the parent company
Shenzhen Taitai Gene Engineering Co., Ltd. (深圳太太基因工程有限公司)	A company controlled by the parent company
Topsino Industries Limited (天誠實業有限公司)	A company controlled by the parent company
Guangzhou Joincare Respiratory Drugs Engineering Technology Co., Ltd. (廣州健康元呼吸藥物工程技術有限公司)	A company controlled by the parent company
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	A company controlled by the parent company
Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	A company controlled by the parent company
Joincare Pharmaceutical Group Industry Co., Ltd.	A company controlled by the parent company
Zhuozhou Jingnan Yongle Golf Club Co., Ltd. (涿州京南永樂高爾夫俱樂部有限公司)	A company controlled by the controlling shareholder of the parent company
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	A subsidiary of the company in which a Director of the Company serves as a director
Zhuhai Medpha Biotechnology Co., Ltd. (珠海麥得發生物科技股份有限公司)	A company in which a Supervisor of the Company serves as a director
Zhuhai Xianghetai Investment Management Partnership (Limited Partnership) (珠海祥和泰投資管理合夥企業(有限合夥))	An enterprise controlled by senior management of the Company
Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥))	An enterprise controlled by a Director
Zhuhai Liying Investment Management Partnership (Limited Partnership) (珠海麗英投資管理合夥企業(有限合夥))	An enterprise controlled by a Director
Jiangsu Yiyinjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	A company controlled by a close family member of Director
Zhuhai Puxiaoying Enterprise Management Co., Ltd. (珠海市蒲小英企業管理有限公司)	A company controlled by a Director
Directors, Supervisors and other senior management personnel	Key management personnel

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions

(1) Related party purchase and sales

- ① Purchase of goods, receipt of services

Related party	Description of related party transaction	Pricing basis and decision – making procedures of the related party transactions	Amount for the Current Period	Amount for the Previous Period
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Raw materials	The market price	2,917,946.91	2,786,053.10
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Raw materials	The market price	34,525,491.50	32,233,170.04
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	Raw materials	The market price	0.00	11,481,389.40
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Finished goods	The market price	343,476.07	439,026.55
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Finished goods	The market price	0.00	28,558.55
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Raw materials	The market price	208,268,900.11	207,819,120.81
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Finished goods	The market price	0.00	249,299.67
Jiangsu Yiyingjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	Finished goods	The market price	2,687,051.40	393,427.00
Purchase of goods in aggregate			248,742,865.99	255,430,045.12

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(1) Related party purchase and sales (continued)

① Purchase of goods, receipt of services (continued)

Related party	Description of related party transaction	Pricing basis and decision – making procedures of the related party transactions	Amount for the Current Period	Amount for the Previous Period
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Water, electricity, and power	The market price	30,905,255.15	21,642,530.54
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	R&D	Based on negotiation	2,249,248.75	4,360,347.94
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Testing	The market price	137,358.49	14,377.36
L&L Biopharma, Co., Ltd. (上海健信生物醫藥科技有限公司)	R&D	Based on negotiation	0.00	943,396.20
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	Business promotion	Based on negotiation	2,083,948.00	1,062,850.00
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Business promotion	Based on negotiation	0.00	638,573.00
Jiangsu Yiyinjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	Business promotion	Based on negotiation	473,616.00	15,000.00
Zhuozhou Jingnan Yongle Golf Club Co., Ltd. (涿州京南永樂高爾夫俱樂部有限公司)	Membership service	Based on negotiation	0.00	84,037.00
Joicare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Processing	Based on negotiation	3,822,554.06	30,879.08
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Modern service	Based on negotiation	16,534.82	58,534.66
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Modern service	Based on negotiation	0.00	24,848.51
Beijing Infinite Intelligence Pharmaceutical Technology Co., Ltd. (北京英飛智藥科技有限公司)	R&D	Based on negotiation	339,805.83	148,514.85
Guangzhou Joicare Respiratory Drugs Engineering Technology Co., Ltd. (廣州健康元呼吸藥物工程技術有限公司)	R&D	Based on negotiation	1,351,132.08	0.00
Zhuhai Puxiaoying Enterprise Management Co., Ltd. (珠海市蒲小英企業管理有限公司)	Modern service	Based on negotiation	249,975.00	0.00
Receipt of services in aggregate			41,629,428.18	29,023,889.14

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(1) Related party purchase and sales (continued)

② Sales of goods, provision of services

Related party	Description of related party transaction	Pricing basis and decision – making procedures of the related party transactions	Amount for the Current Period	Amount for the Previous Period
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Finished goods	The market price	28,589,479.73	57,120,584.28
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Raw materials	The market price	427,773.07	0.00
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Finished goods	The market price	206,262.82	1,465,615.07
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Finished goods	The market price	-620,679.86	1,124,336.29
Joicare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Finished goods	The market price	672,487.21	1,146,902.65
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Finished goods	The market price	143,361.00	40,412.85
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Finished goods	The market price	9,559.35	0.00
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Finished goods	The market price	701,116.05	93,005.23
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Finished goods	The market price	2,981,842.00	4,951,551.99
Guangzhou Joicare Respiratory Drugs Engineering Technology Co., Ltd. (廣州健康元呼吸藥物工程技術有限公司)	Finished goods	The market price	14,267.04	0.00
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Finished goods	The market price	7,223.31	0.00
Sales of goods in aggregate			33,132,691.72	65,942,408.36

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(1) Related party purchase and sales (continued)

② Sales of goods, provision of services (continued)

Related party	Description of related party transaction	Pricing basis and decision – making procedures of the related party transactions	Amount for the Current Period	Amount for the Previous Period
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Water, electricity and power	The market price	7,114,493.00	6,852,302.17
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Water, electricity, power and others	The market price	734,550.08	484,447.91
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Water, electricity, power and others	The market price	582,797.14	667,998.89
Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Water, electricity, power and others	The market price	172,063.92	0.00
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Processing and testing	Based on negotiation	4,603,566.99	540,338.17
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Processing and testing	Based on negotiation	0.00	0.00
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Processing and testing	Based on negotiation	129,064.27	247,775.18
Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Processing and testing	Based on negotiation	545,947.48	134,831.42
Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Modern service	Based on negotiation	0.00	7,648.28
Provision of services in aggregate			13,882,482.88	8,935,342.02

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(2) Related party leases

① The Company as a lessor

Name of lessee	Type of leased assets	Lease income recognized for the Current Period	Lease income recognized for the Previous Period
Health Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	Plant & buildings	38,532.12	91,695.36
Zuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Plant & buildings	2,226,299.00	2,226,299.00
Topsino Industries Limited (天誠實業有限公司)	Plant & buildings	25,455.70	25,087.71
Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Plant & buildings	253,028.56	253,028.56
Zuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Plant & buildings	240,000.00	240,000.00

② The Company as a lessee

Name of lessor	Type of leased assets	Lease expenses recognized for the Current Period	Lease expenses recognized for the Previous Period
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Plant & buildings	779,581.65	779,580.74
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Plant & buildings, equipment	2,619,221.02	2,643,406.02

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(3) Related party asset transfers

Related party	Description of related party transaction	Amount for the Current Period	Amount for the Previous Period
Jiaozuo Jincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Procurement of equipment	0.00	2,282,075.90
Jincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Acquisition of technical know-how	12,060,000.00	15,169,811.32
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Sales of equipment	479,336.28	0.00
Shenzhen Taitai Gene Engineering Co., Ltd. (深圳太太基因工程有限公司)	Procurement of equipment	0.00	9,238.00
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	Sales of equipment	0.00	173,009.82
Jiaozuo Jincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Sales of equipment	6,829,700.00	57,355.55
Jincare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Sales of equipment	0.00	70,796.46
Zhuhai Hengqin Weisheng Precision Medical Technology Co., Ltd. (珠海橫琴維勝精準醫學科技有限公司)	Sales of equipment	0.00	17,699.12
Henan Province Jincare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Sales of equipment	0.00	1,393,297.00

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(4) Related party guarantees

① The details on the guarantees provided to the subsidiaries by the Company were set out as follows

A. Credit Facilities Guarantees

Unit: RMB0'000

Name of guaranteed party	Actual date of event (Signing date of agreement)	Balance at the End of the Period	Actual Guarantee amount	Guaranteed amount	Description and type of guarantee	Period of guarantee
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2021.9.30	167,172.07	167,172.07	235,000.00	Long-term loans, opening bank acceptance bills, joint liability guarantee	2021.9.30-2025.9.21 (HSBC, China Merchants, ICBC, CCB, Bank of Communications, ABC, etc.)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2021.8.4	189.48	189.48	30,000.00	Opening letter of credit, joint liability guarantee	2021.8.4-2024.3.22 (Industrial and Commercial Bank of China)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2022.8.5	2,414.51	2,414.51	15,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2020.3.30	7,436.78	7,436.78	20,000.00	Opening bank acceptance bills, joint liability guarantee	2020.3.30-2023.2.21 (Bank of Communications)
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2022.8.5	5,644.10	5,644.10	20,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2022.6.1	7,708.94	7,708.94	10,000.00	Opening bank acceptance bills, joint liability guarantee	2022.6.1-2024.12.31 (China Construction Bank)

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(4) Related party guarantees *(continued)*

① The details on the guarantees provided to the subsidiaries by the Company were set out as follows *(continued)*

A. Credit Facilities Guarantees *(continued)*

Unit: RMB0'000

Name of guaranteed party	Actual date of event (Signing date of agreement)	Balance at the End of the Period	Actual Guarantee amount	Guaranteed amount	Description and type of guarantee	Period of guarantee
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2022.8.5	1,772.67	1,772.67	6,500.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2022.1.1	437.00	437.00	10,000.00	Opening letter of guarantee, joint liability guarantee	2022.1.1-2023.12.31 (Industrial and Commercial Bank of China)
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2020.6.30	140.00	140.00	15,000.00	Opening bank acceptance bills, joint liability guarantee	2020.6.30-2023.2.28 (Bank of Communications)
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2022.8.5	13,409.67	13,409.67	20,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2022.8.5	2,531.42	2,531.42	5,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2022.11.25	738.37	738.37	10,000.00	Opening bank acceptance bills, joint liability guarantee	2022.11.25-2023.2.21 (Bank of Communications)

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(4) Related party guarantees *(continued)*

① The details on the guarantees provided to the subsidiaries by the Company were set out as follows *(continued)*

A. Credit Facilities Guarantees *(continued)*

Unit: RMB0'000

Name of guaranteed party	Actual date of event (Signing date of agreement)	Balance at the End of the Period	Actual Guarantee amount	Guaranteed amount	Description and type of guarantee	Period of guarantee
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	2022.8.5	6,762.33	6,762.33	10,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2022.8.5	13,613.97	13,613.97	15,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	2022.8.5	278.12	278.12	5,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank)
Total actual amount guaranteed for subsidiaries during the Reporting Period			325,853.39			
Total balance of actual amount guaranteed for subsidiaries at the end of the Reporting Period			230,249.43			

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(4) Related party guarantees (continued)

- ① The details on the guarantees provided to the subsidiaries by the Company were set out as follows (continued)
- B. Pledge and guarantee of bills

On 23 April 2018, the thirteenth meeting of the ninth session of the Board of the Company reviewed and approved the "Resolution on Conducting Bills Pooling Business" and agreed that an amount of up to RMB1.4 billion for conducting bills pooling business is to be shared by the Company and its subsidiaries, such amount may be utilized on rolling basis. As at 31 December 2022, the bill pledges guaranteed are as follows:

Unit: RMB0'000

Guarantor	Pledgee	Pledged amount of bills receivable	Name of guaranteed party	Description of guarantee	Guaranteed amount	Period of guarantee
The Company	China Merchants Bank	11,225.98	Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	1,244.00	Till 12 June 2023
			Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	3,550.56	Till 12 June 2023
			Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	651.38	Till 11 August 2023
			Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	375.31	Till 14 June 2023
			Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Opening bank acceptance bills, joint liability guarantee	162.05	Till 8 June 2023
			Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	633.22	Till 20 June 2023
			Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	Opening bank acceptance bills, joint liability guarantee	171.68	Till 12 June 2023
			Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	3,629.74	Till 21 June 2023
			Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	Opening bank acceptance bills, joint liability guarantee	351.90	Till 12 June 2023
			Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司)	Opening bank acceptance bills, joint liability guarantee	31.59	Till 23 June 2023
	Industrial and Commercial Bank of China	812.66	Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	363.27	Till 26 June 2023
			Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	257.34	Till 21 May 2023
	Total balance of actual guaranteed amount for subsidiaries at the End of the Reporting Period					11,422.03

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(4) Related party guarantees (continued)

- ② Subsidiaries' guarantees to subsidiaries

Unit: RMB0'000

Guarantor	Pledgee	Pledged amount of bills receivable	Name of guaranteed party	Description of guarantee	Guaranteed amount	Period of guarantee
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	China CITIC Bank	7,903.72	Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	6,637.32	Till 15 June 2023
			Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司)	Opening bank acceptance bills, joint liability guarantee	1,090.22	Till 15 March 2023
Total balance of actual guaranteed amount provided to subsidiaries by subsidiaries at the End of the Reporting Period					7,727.54	

- ③ Guarantee provided to related parties by the Company

Nil.

- ④ Guarantee provided to the Company by related parties

Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司), another shareholder of Livzon MABPharm Inc. has provided a "Letter of Undertaking for Counter Guarantee", pursuant to which it has undertaken to provide a joint liability guarantee for 33.07% of the obligation of the Company under the guarantee granted to Livzon MABPharm Inc. and the guarantee period of which will be expired on the expiry date of the Company's obligation thereunder.

Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥)), another shareholder of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司), has provided a "Letter of Undertaking for Counter Guarantee", pursuant to which it has undertaken to provide a joint liability guarantee for 8.44% of the obligation of the Company under the guarantee granted to Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) and the guarantee period of which will be expired on the expiry date of the Company's obligation thereunder.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(5) Remuneration of key management personnel

① Directors', supervisors' and senior management's remuneration is disclosed as follows

2022

Unit: RMB0'000

	Fees of		Social insurance	Housing provident fund	Bonus	Compensation		Others	Total
	Director/ Supervisor	Salaries and allowances				for loss of office	Signing bonus		
Non-executive Directors:									
Zhu Baoguo (朱保國) *	325.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	325.00
Tao Desheng (陶德勝)	300.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	300.00
Qiu Qingfeng (邱慶豐)	9.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.60
Yu Xiong (俞雄)	9.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.60
Executive Directors:									
Tang Yanggang (唐陽剛) *	9.60	110.77	5.90	1.72	287.89	0.00	0.00	18.05	433.92
Xu Guoxiang (徐國祥) *	300.00	92.31	2.04	0.67	318.46	0.00	0.00	18.58	732.07
Independent Non-executive Directors:									
Bai Hua (白華)	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.00
Tian Qiusheng (田秋生)	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.00
Wong Kam Wa (黃錦華)	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.00
Luo Huiyuan (羅會遠)	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.00
Cui Lijie (崔麗捷)	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.00
Supervisors:									
Wang Maolin (汪卯林)	7.20	50.77	5.83	1.72	65.44	0.00	0.00	7.14	138.10
Tang Yin (湯胤)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Huang Huamin (黃華敏)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Other senior management:									
Yang Daihong (楊代宏) *	0.00	92.31	5.87	1.72	184.66	0.00	0.00	17.77	302.32
Xu Peng (徐朋)	0.00	92.31	0.00	0.00	140.62	0.00	0.00	0.60	233.52
Si Yanxia (司燕霞)	0.00	92.31	5.87	1.72	154.85	0.00	0.00	18.18	272.92
Zhou Peng (周鵬)	0.00	83.08	5.86	1.72	108.33	0.00	0.00	13.47	212.45
Huang Yuxuan (黃瑜璇) *	0.00	83.08	0.00	0.00	240.22	0.00	0.00	18.46	341.76
Yang Liang (楊亮)	0.00	73.85	5.84	1.72	125.75	0.00	0.00	17.88	225.04
Total	1,030.60	770.77	37.22	10.96	1,626.22	0.00	0.00	130.14	3,605.92

"*" refers to the five individuals with the highest emoluments in 2022. Except for participating in pension insurance and unemployment insurance (i.e. the social insurance in the table above) plans established by the government as required, the Company has not provided other pension plans to all current and former directors, supervisors and senior management.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(5) Remuneration of key management personnel (continued)

① Directors', supervisors' and senior management's remuneration is disclosed as follows (continued)

2021

Unit: RMB'000

	Fees of Director/ Supervisor	Salaries and allowances	Social insurance	Housing provident fund	Bonus	Signing bonus	Compensation for loss of office	Others	Total
Non-executive Directors:									
Zhu Baoguo (朱保國) *	325.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	325.00
Tao Desheng (陶德勝)	300.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	300.00
Qiu Qingfeng (邱慶豐)	9.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.60
Yu Xiong (俞雄)	9.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.60
Executive Directors:									
Tang Yanggang (唐陽剛) *	9.60	110.77	4.98	1.56	325.38	0.00	0.00	18.05	470.34
Xu Guoxiang (徐國祥) *	300.00	92.31	4.48	1.56	388.46	0.00	0.00	18.19	805.00
Independent Non-executive Directors:									
Bai Hua (白華)	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.00
Zheng Zhihua (鄭志華)	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.00
Xie Yun (謝耘)	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.00
Tian Qiusheng (田秋生)	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.00
Wong Kam Wa (黃錦華)	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.00
Luo Huiyuan (羅會遠)	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.00
Cui Lijie (崔麗婕)	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.00
Supervisors:									
Wang Maolin (汪卯林)	7.20	50.77	4.94	1.56	82.52	0.00	0.00	11.96	158.94
Tang Yin (湯胤)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Huang Huamin (黃華敏)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Other senior management:									
Yang Daihong (楊代宏)	0.00	92.31	4.96	1.56	172.00	0.00	0.00	17.77	288.60
Xu Peng (徐朋) *	0.00	92.31	0.00	0.00	238.50	0.00	0.00	0.64	331.45
Si Yanxia (司燕霞)	0.00	92.31	4.96	1.56	152.31	0.00	0.00	18.18	269.32
Zhou Peng (周鵬)	0.00	83.08	4.96	1.56	89.62	0.00	0.00	17.85	197.06
Huang Yuxuan (黃瑜璇) *	0.00	83.08	4.85	3.34	224.62	0.00	0.00	18.50	334.38
Yang Liang (楊亮)	0.00	73.85	4.95	1.56	107.27	0.00	0.00	17.89	205.52
Total	1,030.60	770.77	39.08	14.27	1,780.68	0.00	0.00	139.02	3,774.41

* * refers to the five individuals with the highest emoluments in 2021.

Mr. Luo Huiyuan (羅會遠) was appointed in July 2021 and Ms. Cui Lijie (崔麗婕) was appointed in July 2021. Mr. Zheng Zhihua (鄭志華) retired in July 2021 and Mr. Xie Yun (謝耘) retired in July 2021.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(5) Remuneration of key management personnel *(continued)*

② Individuals with highest emoluments

For 2022, 3 of the five highest paid individuals were directors of the Company and 2 of them were members of the senior management of the Company; for 2021, three of the five highest paid individuals were directors of the Company and two of them were members of the senior management of the Company. The remuneration of directors and senior management of the Company were already disclosed in Note X.5.(5) "Remuneration of key management personnel", and the emoluments of the five highest paid individuals were within the following bands:

Item	2022	2021
Number of individuals within the band of RMB0-RMB1,000,000	—	—
Number of individuals within the band of RMB1,000,001-RMB1,500,000	—	—
Number of individuals within the band of RMB1,500,001-RMB2,000,000	—	—
Number of individuals within the band of RMB2,000,001-RMB2,500,000	—	—
Number of individuals within the band of RMB2,500,001-RMB3,000,000	—	—
Number of individuals within the band of RMB3,000,001-RMB3,500,000	3	3
Number of individuals within the band of RMB3,500,001-RMB4,000,000	—	—
Number of individuals within the band of RMB4,000,001-RMB4,500,000	1	—
Number of individuals within the band of RMB4,500,001-RMB5,000,000	—	1
Number of individuals within the band of RMB5,000,001-RMB5,500,000	—	—
Number of individuals within the band of RMB5,500,001-RMB6,000,000	—	—
Number of individuals within the band of RMB6,000,001-RMB6,500,000	—	—
Number of individuals within the band of RMB6,500,001-RMB7,000,000	—	—
Number of individuals within the band of RMB7,000,001-RMB7,500,000	1	—
Number of individuals within the band of RMB7,500,001-RMB8,000,000	—	—
Number of individuals within the band of RMB8,000,001-RMB8,500,000	—	1

③ Emoluments band of senior management

Item	2022	2021
Number of individuals within the band of RMB0-RMB1,000,000	—	—
Number of individuals within the band of RMB1,000,001-RMB1,500,000	1	—
Number of individuals within the band of RMB1,500,001-RMB2,000,000	—	2
Number of individuals within the band of RMB2,000,001-RMB2,500,000	3	1
Number of individuals within the band of RMB2,500,001-RMB3,000,000	1	2
Number of individuals within the band of RMB3,000,001-RMB3,500,000	2	2
Number of individuals within the band of RMB3,500,001-RMB4,000,000	—	—
Number of individuals within the band of RMB4,000,001-RMB4,500,000	1	—
Number of individuals within the band of RMB4,500,001-RMB5,000,000	—	1
Number of individuals within the band of RMB5,000,001-RMB5,500,000	—	—
Number of individuals within the band of RMB5,500,001-RMB6,000,000	—	—
Number of individuals within the band of RMB6,000,001-RMB6,500,000	—	—
Number of individuals within the band of RMB6,500,001-RMB7,000,000	—	—
Number of individuals within the band of RMB7,000,001-RMB7,500,000	1	—
Number of individuals within the band of RMB7,500,001-RMB8,000,000	—	—
Number of individuals within the band of RMB8,000,001-RMB8,500,000	—	1

During the years 2022 and 2021, no emolument was paid by the Company to the five highest paid individuals as an inducement to join or upon joining the Company; or as compensation for loss of office. None of the directors or supervisors waived any remuneration.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(6) Other related transactions

Nil.

6. Amounts due from/to related parties

(1) Amounts due from related parties

Item	Related parties	Balance at the End of the Period		Balance at the End of the Previous Year	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Bills receivables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	602,781.00	0.00	1,381,581.09	0.00
Bills receivables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	3,893,820.00	0.00	5,492,960.00	0.00
Bills receivables	Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	0.00	0.00	735,000.00	0.00
Bills receivables	Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	243,602.60	0.00	0.00	0.00
Subtotal of bills receivables		4,740,203.60	0.00	7,609,541.09	0.00
Accounts receivables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	4,781,500.00	47,336.85	18,889,500.00	490,875.00
Accounts receivables	Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	85,731.98	840.17	224,023.83	8,578.07
Accounts receivables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	7,208,433.00	361,863.34	0.00	0.00
Accounts receivables	Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	120,942.24	1,185.23	0.00	0.00
Accounts receivables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	0.00	0.00	74,479.40	715.00
Accounts receivables	Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱製藥有限公司)	320,000.00	3,264.00	0.00	0.00
Accounts receivables	Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	497,828.30	103,325.48	337,395.02	48,933.97
Subtotal of accounts receivables		13,014,435.52	517,815.07	19,525,398.25	549,102.04

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

6. Amounts due from/to related parties (continued)

(1) Amounts due from related parties (continued)

Item	Related parties	Balance at the End of the Period		Balance at the End of the Previous Year	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Prepayments	Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	211,200.00	0.00	211,200.00	0.00
Prepayments	Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	188,100.00	0.00	154,500.00	0.00
Subtotal of prepayments		399,300.00	0.00	365,700.00	0.00
Other receivables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	607,484.29	6,925.32	1,271,496.55	21,233.99
Other receivables	Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	15,795.00	170.59	5,265.00	87.93
Other receivables	Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	0.00	0.00	84,680.42	863.74
Subtotal of other receivables		623,279.29	7,095.91	1,361,441.97	22,185.66

(2) Amounts due to related parties

Item	Related parties	Balance at the End of the Period	Balance at the End of the Previous Year
Bills payables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	95,055,360.06	100,495,007.12
Bills payables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	3,622,463.60	18,597,167.10
Bills payables	Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	0.00	40,000.00
Bills payables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	0.00	379,960.00
Subtotal of bills payables		98,677,823.66	119,512,134.22

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

6. Amounts due from/to related parties *(continued)*

(2) Amounts due to related parties *(continued)*

Item	Related parties	Balance at the End of the Period	Balance at the End of the Previous Year
Accounts payables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	18,354,138.00	6,057,630.42
Accounts payables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	117,760.00	0.00
Accounts payables	Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	103,832,146.24	78,885,432.23
Subtotal of accounts payables		122,304,044.24	84,943,062.65
Contract liabilities	Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	12,011.72	0.00
Contract liabilities	Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	1,805.83	0.00
Subtotal of contract liabilities		13,817.55	0.00
Other payables	Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	12,111,682.02	9,899,766.99
Other payables	Joicare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	4,051,907.30	0.00
Other payables	Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	8,936.17	8,936.17
Subtotal of other payables		16,172,525.49	9,908,703.16

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XI. SHARE-BASED PAYMENT

1. General information about share-based payment

Total equity instruments granted during the Period by the Company (Share)	17,973,500
Total equity instruments exercised during the Period by the Company (Share)	1,091,966
Total equity instruments of the Company expired during the Period (Share)	4,905,012
Range of exercise price of share option of the Company outstanding and remaining term of contract as at the End of the Period	Note 1
Range of exercise price of other equity instruments of the Company and remaining term of contract as at the End of the Period	Note 2

Note 1: Share Option

- ① On 14 October 2022, the "Resolution on 2022 Share Options Incentive Scheme (Revised Draft) and its Summary", the "Resolution on Administrative Measures for Appraisal System of the 2022 Share Options Incentive Scheme" and the "Resolution on the General Meeting for Granting Mandate to the Board to Deal with Matters Regarding the 2022 Share Options Incentive Scheme" were considered and approved at the 2022 Second Extraordinary General Meeting, the 2022 Second Class Meeting of A Shareholders and the 2022 Second Class Meeting of H Shareholders. On 7 November 2022, the "Resolution on the Related Matters of the First Grant of 2022 Share Options Incentive Scheme" was considered and approved at the 39th meeting of the tenth session of the Board, pursuant to which, 7 November 2022 was set as the date of grant, on which 17,973,500 Share Options were granted to 1,026 incentive participants at an exercise price of RMB31.31 per A Share. Completion and effective date of the registration of the share options granted: 23 November 2022

The following table sets forth the exercise period of the share options granted and the exercise schedule for each tranche:

Exercise arrangement	Exercise period	Exercise proportion
First exercise period for share options under the First Grant	Commencing on the first trading day after expiry of the 12-month period from the registration completion date of the First Grant and ending on the last trading day of the 24-month period from the registration completion date of the First Grant	40%
Second exercise period for share options under the First Grant	Commencing on the first trading day after expiry of the 24-month period from the registration completion date of the First Grant and ending on the last trading day of the 36-month period from the registration completion date of the First Grant	30%
Third exercise period for share options under the First Grant	Commencing on the first trading day after expiry of the 36-month period from the registration completion date of the First Grant and ending on the last trading day of the 48-month period from the registration completion date of the First Grant	30%

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XI. SHARE-BASED PAYMENT (continued)

1. General information about share-based payment (continued)

Note 1: Share Option (continued)

① (continued)

Performance targets at the Company level: The Share Options granted under the Incentive Scheme are subject to annual assessment for exercise during the three accounting years in the exercise period, such that achieving of the performance targets by the Incentive Participant is a condition to exercise the Share Options. The performance targets of the First Grant are as follows:

Exercise period	Performance target
First exercise period for Share Options under the First Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2022 shall not be lower than 15%;
Second exercise period for Share Options under the First Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2023 shall not be lower than 15%;
Third exercise period for Share Options under the First Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2024 shall not be lower than 15%.

The above indicators of “net profit” and “compound growth rate of the net profit” are calculated based on the net profit attributable to the shareholders of the Company after deducting the extraordinary gains or loss and excluding the share-based payment expense under the Incentive Scheme. In the event the Company fails to meet the performance targets above, all Share Options which are exercisable by the Incentive Participants in the respective assessment year shall not be exercised and shall be cancelled by the Company.

② On 5 September 2018, the “Resolution on 2018 Share Options Incentive Scheme (Revised Draft) and its summary” was considered and approved at the 2018 Third Extraordinary General Meeting, the 2018 Third Class Meeting of A Shareholders and the 2018 Third Class Meeting of H Shareholders, pursuant to which, 11 September 2018 was set as the date of grant for Share Options under the First Grant expired on 23 September 2022 with a grant price of RMB47.01 per share option, and 28 August 2019 was set as the date of grant for Share Options under the Reserved Grant expired on 26 October 2022 with a grant price of RMB28.87 per A Share.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XI. SHARE-BASED PAYMENT *(continued)*

1. General information about share-based payment *(continued)*

Note 2: Other equity incentives

On 8 November 2019, the resolution on the Disposal of Certain Equity of a Holding Subsidiary and Connected Transaction was considered and approved at the 34th meeting of the ninth session of the Board, pursuant to which it was agreed that 9.5% equity interests (totally 8,382,100 shares) in Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) held by the Company shall be transferred to Zhuhai Liying Investment Management Partnership (Limited Partnership) (珠海麗英投資管理合夥企業(有限合夥)) at the consideration of RMB21,122,892. According to the Assets Appraisal Report on the valuation of the shareholders' equity as a whole of Zhuhai Livzon Diagnostics Inc. in relation to the Proposed Equity Transfer by Livzon Pharmaceutical Group Inc. (Huaya Zhengxin Appraisal Report [2019] No. A02 – 0011), the valuation of the shareholders' equity as a whole of Zhuhai Livzon Diagnostics Inc. as at 30 June 2019 was RMB647.3075 million, and above equity transfer price was lower than its fair value, therefore it constitutes a share-based payment. The total share-based payment of the transaction is RMB40.4017 million, which should be amortized within 5 years according to the partnership agreement, and share incentive expenses were recognised due to the share-based payment as a result of the change in the shareholding of the shareholders of Zhuhai Liying Investment Management Partnership (Limited Partnership).

On 8 November 2019, the resolution on the Implementation of Employee Equity Incentive Scheme by a Holding Subsidiary was considered and approved at the 34th meeting of the ninth session of the Board, pursuant to which, the total number of shares of new issuance by Zhuhai Livzon Diagnostics Inc. for implementation of employee equity incentive scheme shall not be more than 4,643,839 shares, and the scheme participants shall contribute a total of RMB11,702,474.28 to directly subscribe for the above shares or indirectly subscribe for the such shares through the holding of the limited partnership shares of the employee shareholding platform. In December 2019, pursuant to the Capital Increase Agreement of Zhuhai Livzon Diagnostics Inc., the total shares of Zhuhai Livzon Diagnostics Inc. increased from 88,232,932 shares to 92,876,771 shares with par value of RMB1 per share. The increased number of shares were subscribed by Zhuhai Haoxun Enterprise Management Consulting Partnership (Limited Partnership) (珠海豪汛企業管理諮詢合夥企業(有限合夥)), Zhuhai Yichen Enterprise Management Consulting Partnership (Limited Partnership) (珠海熠臣企業管理諮詢合夥企業(有限合夥)) and Zhuhai Qijing Enterprise Management Consulting Partnership (Limited Partnership) (珠海啟靖企業管理諮詢合夥企業(有限合夥)) at the consideration of RMB11,702,474. The subscription price is lower than the fair value, therefore it constitutes a share-based payment. The total share-based payment of the transaction is RMB20.7090 million, which should be amortized within 5 years according to the Partnership Agreement, and share incentive expenses were recognised due to the share-based payment as a result of the change in the shareholding of the shareholders of Zhuhai Livzon Diagnostics Inc./the employee shareholding platform.

On 31 August 2021, the general meeting of LivzonBio considered and approved the Equity Incentive Scheme of Livzon Bio, Inc. (珠海市麗珠生物醫藥科技有限公司), granting 66,666,667 restricted shares of LivzonBio to incentive participants, among which 42 million shares were granted in the first batch and 24,666,667 shares were reserved. Incentive participants indirectly subscribed for the above shares through the holding of the limited partnership shares of the employee shareholding platform. The subscription price is lower than the fair value, therefore it constitutes a share-based payment. The total share-based payment of the transaction is RMB33.6 million, which should be amortized during the lock-up period according to the Equity Incentive Scheme of LivzonBio and the Grant Agreement and RMB16,240,000 was amortized in 2022.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XI. SHARE-BASED PAYMENT *(continued)*

2. Equity settled share-based payments

Determination on fair value of equity instruments as the date of grant	Black-Scholes Model, market price
Basis for determining quantity of exercisable equity instruments	–
Reasons for significant discrepancies between estimate for the Period and Previous Period	Nil
Accumulated amount of equity settled share-based payments included in capital reserve	177,736,139.11
Total expense recognised for equity settled share-based payments for the Period	47,324,532.41

3. Cash settled share-based payments

Nil.

XII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Contracted but not recognised in the financial statement	Balance at the End of the Period	Balance at the End of the Previous Year
Commitments in relation to acquisition of long-term assets	394,785,767.27	569,039,017.10
Commitments in relation to external investment	12,000,000.00	8,000,000.00
Commitments in relation to research and development expenditures	0.00	309,313,880.64

(2) Other commitments

Nil.

(3) Performance of previous commitments

The Company has duly performed the capital expenditure commitments and the operating lease commitments as at 31 December 2021 and the other commitments.

2. Contingencies

As at 31 December 2022, there were no significant contingencies required to be disclosed by the Company.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XIII. POST BALANCE SHEET DATE EVENTS

1. Profit distribution

On 30 March 2023, the Company held the 46th meeting of the tenth session of the Board of the Company and passed the resolution of 2022 annual profit distribution plan. It is expected to distribute cash dividend of RMB16.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2022 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized.

The above mentioned profit distribution plan shall be submitted to the annual general meeting of 2022 of the Company for consideration and approval.

As at 30 March 2023, the Company has no other events that needed to be disclosed after the balance sheet date.

XIV. OTHER SIGNIFICANT MATTERS

1. Leases

The Company had adopted a simplified approach for short-term leases and leases of low value assets and did not recognize right-of-use assets and lease liabilities. The expense of short-term leases, leases of low value assets and variable lease payments not included in the measurement of lease liabilities are included in the expenses in the current period as follows:

Item	Amount for the Period
Short-term leases	2,183,928.31

As at 31 December 2022, other than the matters mentioned above, the Company has no other significant events that need to be disclosed.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XV. NET CURRENT ASSETS AND TOTAL ASSETS LESS CURRENT LIABILITIES

1. Net current assets

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Current assets	16,987,297,040.38	14,673,096,594.67
Less: Current liabilities	7,396,664,920.29	6,925,068,067.24
Net current assets	9,590,632,120.09	7,748,028,527.43

2. Total assets less current liabilities

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Total assets	24,864,825,366.23	22,371,915,590.82
Less: Current liabilities	7,396,664,920.29	6,925,068,067.24
Total assets less current liabilities	17,468,160,445.94	15,446,847,523.58

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Bills receivables

Type of bill	Balance at the End of the Period			Balance at the End of the Previous Year		
	Book balance	Provision for bad debts	Carrying value	Book balance	Provision for bad debts	Carrying value
Bank acceptance bills	876,485,800.66	0.00	876,485,800.66	893,196,893.48	481,000.00	892,715,893.48

(1) Bills receivables that were pledged at the End of the Period

Item	Pledged amount at the End of the Period
Bank acceptance bills	120,386,331.72

As at 31 December 2022, bills with carrying amount of RMB120,386,331.72 (31 December 2021: RMB226,523,191.72) were pledged for bank acceptance bills.

(2) Bills receivables endorsed or discounted at the End of the Period but not yet mature at the date of balance sheet

Item	Amount derecognized at the End of the Period	Amount not derecognized at the End of the Period
Bank acceptance bills endorsed but not yet mature	2,909,859.50	0.00
Bank acceptance bills discounted but not yet mature	10,283,462.46	0.00
Total	13,193,321.96	0.00

For the Period, the bank acceptance bills issued by the Company to banks amounted to RMB100,742,839.42 (the last period: RMB0.00). As the main risks such as interest risks and returns related to these bank acceptance bills were transferred to the bank, the Company derecognised the undue bank acceptance bills that had been discounted. The discounted fee amounted to RMB0.00 (the last period: RMB0.00).

(3) There were no bills transferred into accounts receivables for non-performance by the issuer at the End of the Period.

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

1. Bills receivables (continued)

(4) Classification by the method of bad debt provision

Type	Balance at the End of the Period					Balance at the End of the Previous Year				
	Book balance		Provision for bad debt			Book balance		Provision for bad debt		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying amount	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying amount
Provision for bad debt on individual basis	0.00	0.00	0.00	0.00	0.00	481,000.00	0.05	481,000.00	100.00	0.00
In which:										
Bank acceptance bills	0.00	0.00	0.00	0.00	0.00	481,000.00	0.05	481,000.00	100.00	0.00
Provision for bad debt on collective basis	876,485,800.66	100.00	0.00	0.00	876,485,800.66	892,715,893.48	99.95	0.00	0.00	892,715,893.48
In which:										
Bank acceptance bills	876,485,800.66	100.00	0.00	0.00	876,485,800.66	892,715,893.48	99.95	0.00	0.00	892,715,893.48
Total	876,485,800.66	100.00	0.00	0.00	876,485,800.66	893,196,893.48	100.00	481,000.00	0.05	892,715,893.48

Provision for bad debt on individual basis:

Description	Balance at the End of the Period				Balance at the End of the Previous Year			
	Book balance	Provision for bad debts	Expected credit loss rate (%)	Reason for provision made	Book balance	Provision for bad debts	Expected credit loss rate (%)	Reason for provision made
Henan Jiuzhoutong Pharmaceutical Co., Ltd. (河南九州通醫藥有限公司)	0.00	0.00	0.00	—	431,000.00	431,000.00	100.00	Not expected to be recoverable
Other customers	0.00	0.00	0.00	—	50,000.00	50,000.00	100.00	Not expected to be recoverable
Total	0.00	0.00	0.00	/	481,000.00	481,000.00	100.00	/

(5) Provisions for bad debts made, recovered and reversed during the Period

	Amount of provision for bad debts
Balance at the Beginning of the Year	481,000.00
Provisions made for the Period	0.00
Recoveries or reversals during the Period	0.00
Write-off for the Period	481,000.00
Balance at the End of the Period	0.00

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

1. Bills receivables *(continued)*

(6) Bills receivables actually written-off for the Period

Item	Amount written off
Bill receivables actually written-off	481,000.00

2. Accounts receivables

(1) Disclosure using the aging analysis method

Aging	Balance at the End of the Period	Balance at the End of the Previous Year
Within 1 year		
In which: Within 3 months (including 3 months)	1,076,740,210.05	865,984,993.94
4-6 months (including 6 months)	44,506,320.44	43,538,485.89
7-12 months (including 12 months)	21,451,752.19	6,614,781.63
Subtotal within 1 year:	1,142,698,282.68	916,138,261.46
1-2 years (including 2 years)	9,397,726.70	1,217,155.93
2-3 years (including 3 years)	476,987.55	52,428.10
Over 3 years	2,640,969.94	2,638,541.84
Subtotal	1,155,213,966.87	920,046,387.33
Less: Provisions for bad debts	20,093,428.57	14,363,903.92
Total	1,135,120,538.30	905,682,483.41

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

2. Accounts receivables (continued)

(2) Disclosure according to the method of provisions for bad debts

Type	Book balance		Balance at the End of the Period			Book balance		Balance at the End of the Previous Year		
	Amount	Percentage (%)	Provision for bad debts		Carrying value	Amount	Percentage (%)	Provision for bad debts		Carrying value
			Amount	Expected credit loss rate (%)				Amount	Expected credit loss rate (%)	
Provision for bad debt on collective basis	1,155,213,966.87	100.00	20,093,428.57	1.74	1,135,120,538.30	920,046,387.33	100.00	14,363,903.92	1.56	905,682,483.41
Of which:										
Due from domestic customers	1,155,213,966.87	100.00	20,093,428.57	1.74	1,135,120,538.30	920,046,387.33	100.00	14,363,903.92	1.56	905,682,483.41
Total	1,155,213,966.87	100.00	20,093,428.57	1.74	1,135,120,538.30	920,046,387.33	100.00	14,363,903.92	1.56	905,682,483.41

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

2. Accounts receivables (continued)

(2) Disclosure according to the method of provisions for bad debts (continued)

Provision for bad debt on collective basis:

Item on collective basis: Due from domestic customers

	Balance at the End of the Period			Balance at the End of the Previous Year		
	Account receivables	Provision for bad debts	Expected credit loss rate (%)	Account receivables	Provision for bad debts	Expected credit loss rate (%)
Within 3 months (including 3 months)	1,076,740,210.05	10,552,054.06	0.98	865,984,993.94	8,400,054.44	0.97
4-6 months (including 6 months)	44,506,320.44	2,189,710.97	4.92	43,538,485.89	2,150,801.20	4.94
7-12 months (including 12 months)	21,451,752.19	2,366,128.27	11.03	6,614,781.63	859,260.13	12.99
1-2 years	9,397,726.70	2,005,474.88	21.34	1,217,155.93	277,754.98	22.82
2-3 years	476,987.55	339,090.45	71.09	52,428.10	37,491.33	71.51
Over 3 years	2,640,969.94	2,640,969.94	100.00	2,638,541.84	2,638,541.84	100.00
Total	1,155,213,966.87	20,093,428.57	1.74	920,046,387.33	14,363,903.92	1.56

(3) Provisions for bad debts made, recovered and reversed during the Period

	Amount of provision for bad debts
Balance at the Beginning of the Year	14,363,903.92
Provisions made for the Period	5,730,955.95
Recoveries or reversals during the Period	0.00
Write-off for the Period	1,431.30
Balance at the End of the Period	20,093,428.57

As at 31 December 2022 and 31 December 2021, the Company had no accounts receivables that are past due but not impaired.

(4) Accounts receivables that were actually written off during the Period

Item	Amount written off
Total (domestic customers)	1,431.30

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

2. Accounts receivables (continued)

(5) The top five balances of accounts receivable by debtors as at the End of the Period

The total of the top five balances of accounts receivable by debtors as at the End of the Period was RMB177,915,731.97 for the Period, representing 15.40% of the total balance of account receivables for the End of the Period, the aggregate balance of corresponding provisions for bad debts as at the End of the Period was RMB4,729,576.77.

(6) There are no derecognised accounts receivables in the Company due to the transfer of financial assets.

(7) The Company has no assets or liabilities formed by its continuous involvement of transferring accounts receivables.

3. Other receivables

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Dividend receivables	386,843,888.07	340,100,088.07
Other receivables	754,659,476.70	858,083,076.53
Total	1,141,503,364.77	1,198,183,164.60

(1) Dividend receivables

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	340,100,088.07	340,100,088.07
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	46,743,800.00	0.00
Subtotal:	386,843,888.07	340,100,088.07
Less: Provision for bad debts	0.00	0.00
Total	386,843,888.07	340,100,088.07

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Other receivables (continued)

(1) Dividend receivables (continued)

Provision made for bad debts

As at the End of the Period, provision for bad debts at step 1:

Type	Book balance	Expected credit losses rate over the next 12 months (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on individual basis	386,843,888.07	0.00	0.00	386,843,888.07	
Dividend receivables	386,843,888.07	0.00	0.00	386,843,888.07	Recoverable
Total	386,843,888.07	0.00	0.00	386,843,888.07	

(2) Other receivables

① Disclosure by nature of the amount

Item	Balance at the End of the Period			Balance at the End of the Previous Year		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Deposits under guarantee, security deposits and lease expenses	500,000.00	80,050.00	419,950.00	500,000.00	8,350.00	491,650.00
Reserve fund and advances	10,490,614.72	1,161,390.47	9,329,224.25	8,519,380.87	1,149,782.62	7,369,598.25
Other receivables of each company within the scope of combination	744,218,827.76	0.00	744,218,827.76	841,753,410.23	0.00	841,753,410.23
Balance with associates	15,795.00	170.59	15,624.41	5,265.00	87.93	5,177.07
Borrowing due from external entities	5,000,000.00	5,000,000.00	0.00	5,000,000.00	5,000,000.00	0.00
Amounts of exercised options	0.00	0.00	0.00	8,463,240.98	0.00	8,463,240.98
Others	714,534.52	38,684.24	675,850.28	0.00	0.00	0.00
Total	760,939,772.00	6,280,295.30	754,659,476.70	864,241,297.08	6,158,220.55	858,083,076.53

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Other receivables (continued)

(2) Other receivables (continued)

② Provision made for bad debts

As at the End of the Period, provision for bad debts at step 1:

Type	Book balance	Expected credit losses rate over the next 12 months (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on collective basis	744,218,827.76	0.00	0.00	744,218,827.76	
Other receivables of each company within the scope of combination	744,218,827.76	0.00	0.00	744,218,827.76	Expected to be recoverable
Total	744,218,827.76	0.00	0.00	744,218,827.76	

As at the End of the Period, provision for bad debts at step 2:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on collective basis	11,483,484.80	9.08	1,042,835.86	10,440,648.94	
Receivables of deposits under guarantee and security deposits and lease expenses	500,000.00	16.01	80,050.00	419,950.00	—
Other receivables	10,983,484.80	8.77	962,785.86	10,020,698.94	—
Total	11,483,484.80	9.08	1,042,835.86	10,440,648.94	

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Other receivables (continued)

(2) Other receivables (continued)

② Provision made for bad debts (continued)

As at the End of the Period, provision for bad debts at step 3:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on individual basis	5,237,459.44	100.00	5,237,459.44	0.00	
Other receivables	5,237,459.44	100.00	5,237,459.44	0.00	Not expected to be recoverable
Total	5,237,459.44	100.00	5,237,459.44	0.00	

As at 31 December 2021, provision made for bad debts:

As at 31 December 2021, provision for bad debts at step 1:

Type	Book balance	Expected credit losses rate over the next 12 months (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on individual basis	348,563,329.05	0.00	0.00	348,563,329.05	
Dividend receivables	340,100,088.07	0.00	0.00	340,100,088.07	Expected to be recoverable
Amounts of exercised options	8,463,240.98	0.00	0.00	8,463,240.98	Expected to be recoverable
Provision for bad debt on collective basis	841,753,410.23	0.00	0.00	841,753,410.23	
Other receivables of each company within the scope of combination	841,753,410.23	0.00	0.00	841,753,410.23	Expected to be recoverable
Total	1,190,316,739.28	0.00	0.00	1,190,316,739.28	

As at 31 December 2021, provision for bad debts at step 2:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on collective basis	8,787,186.43	10.48	920,761.11	7,866,425.32	
Receivables of deposits under guarantee and security deposits and lease expenses	500,000.00	1.67	8,350.00	491,650.00	—
Other receivables	8,287,186.43	11.01	912,411.11	7,374,775.32	—
Total	8,787,186.43	10.48	920,761.11	7,866,425.32	

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Other receivables (continued)

(2) Other receivables (continued)

② Provision made for bad debts (continued)

As at 31 December 2021, provision for bad debts at step 3:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on individual basis	5,237,459.44	100.00	5,237,459.44	0.00	
Other receivables	5,237,459.44	100.00	5,237,459.44	0.00	Not expected to be recoverable
Total	5,237,459.44	100.00	5,237,459.44	0.00	

③ Provision for bad debts made, recovered or reversed during the Period

Provision for bad debts	Step 1	Step 2	Step 3	Total
	Expected credit losses over the next 12 months	Expected credit losses over the lifetime (without impairment of credit)	Expected credit losses over the lifetime (with impairment of credit)	
Balance at the Beginning of the Year	0.00	920,761.11	5,237,459.44	6,158,220.55
Provisions made for the Period	0.00	122,074.75	0.00	122,074.75
Balance at the End of the Period	0.00	1,042,835.86	5,237,459.44	6,280,295.30

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Other receivables (continued)

(2) Other receivables (continued)

- ④ Other receivables not actually written off during the Period
- ⑤ Top five balances of other receivables by debtors at the End of the Period

Name of unit	Nature of receivables	Balance of other receivables at the End of the Period		Aging	Proportion to total balance at the End of the Period (%)	Balance of provision for bad debt at the End of the Period
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	Current account	598,988,651.97		Within 1 year RMB235,689,249.40, 1-2 years RMB363,299,402.57	78.72	0.00
Ando Development Limited (安滔發展有限公司)	Current account	122,476,510.20		Within 1 year RMB235,724.43, 1-2 years RMB1,003,300.00, Over 3 years RMB121,237,485.77	16.10	0.00
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	Current account	21,031,172.39		1-2 years RMB5,880.00, 2-3 years RMB13,495.00, Over 3 years RMB21,011,797.39	2.76	0.00
Guangzhou Galaxy Sunshine Biological Products Co., Ltd. (廣州銀河陽光生物製品有限公司)	Borrowings	5,000,000.00		Over 5 years	0.66	5,000,000.00
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Current account	1,006,335.50		Within 1 year RMB27,824.26, Over 3 years RMB978,511.24	0.13	0.00
Total		—	748,502,670.06	—	98.37	5,000,000.00

- ⑥ The Company has not derecognised other receivables due to the transfer of financial assets.
- ⑦ The Company has no assets or liabilities formed by its continuous involvement of transferring other receivables.

4. Long-term equity investments

Item	Balance at the End of the Period			Balance at the End of the Previous Year		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in subsidiaries	2,991,467,145.20	17,287,569.18	2,974,179,576.02	2,949,467,145.20	17,287,569.18	2,932,179,576.02
Investments in associates	811,254,149.69	1,200,000.00	810,054,149.69	854,467,629.32	1,200,000.00	853,267,629.32
Total	3,802,721,294.89	18,487,569.18	3,784,233,725.71	3,803,934,774.52	18,487,569.18	3,785,447,205.34

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

4. Long-term equity investments (continued)

(1) Investments in subsidiaries

Investee	Balance at the Beginning of the Year	Increase during the Period	Decrease during the Period	Balance at the End of the Period	Provision for impairment for the Period	Balance of provision for impairment at the End of the Period
Zuhai Livzon Baiheng Biological Materials Co., Ltd. (珠海麗珠－拜阿蒙生物材料有限公司)	3,934,721.95	0.00	0.00	3,934,721.95	0.00	0.00
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	361,060,443.85	0.00	0.00	361,060,443.85	0.00	0.00
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	170,872,457.35	0.00	0.00	170,872,457.35	0.00	0.00
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	31,438,404.00	0.00	0.00	31,438,404.00	0.00	0.00
Zuhai Modern Chinese Medicine High Technology Co., Ltd. (珠海現代中藥高科技有限公司)	4,539,975.00	0.00	0.00	4,539,975.00	0.00	0.00
Livzon Group Livzon Medical Research Centre (麗珠集團麗珠醫藥研究所)	6,004,000.00	0.00	0.00	6,004,000.00	0.00	0.00
Lizhu (Hong Kong) Co., Limited (麗珠(香港)有限公司)	265,149,450.47	0.00	0.00	265,149,450.47	0.00	0.00
Lian Hong Kong Limited (麗安香港有限公司)	140,000,000.00	0.00	0.00	140,000,000.00	0.00	0.00
Ando Development Limited (安滔發展有限公司)	534,050.00	0.00	0.00	534,050.00	0.00	0.00
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	378,259,319.91	0.00	0.00	378,259,319.91	0.00	17,287,569.18
Zuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	2,357,200.00	0.00	0.00	2,357,200.00	0.00	0.00
Livzon Group Livzon Pharmaceutical Marketing Co., Ltd. (麗珠集團麗珠醫藥營銷有限公司)	12,008,000.00	0.00	0.00	12,008,000.00	0.00	0.00
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	184,301,219.52	0.00	0.00	184,301,219.52	0.00	0.00
Zuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	40,020,000.00	0.00	0.00	40,020,000.00	0.00	0.00
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	54,500,000.00	0.00	0.00	54,500,000.00	0.00	0.00
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	6,675,000.00	0.00	0.00	6,675,000.00	0.00	0.00
Zuhai Livzon Pharmaceutical Equity Investment Management Co., Ltd. (珠海市麗珠醫藥股權投資管理有限公司)	135,000,000.00	27,000,000.00	0.00	162,000,000.00	0.00	0.00
Zuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	212,092,110.00	0.00	0.00	212,092,110.00	0.00	0.00
Livzon Bio, Inc. (珠海市麗珠生物醫藥科技有限公司)	932,230,793.15	0.00	0.00	932,230,793.15	0.00	0.00

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

4. Long-term equity investments (continued)

(1) Investments in subsidiaries

Investee	Balance at the Beginning of the Year	Increase during the Period	Decrease during the Period	Balance at the End of the Period	Provision for impairment for the Period	Balance of provision for impairment at the End of the Period
Shanghai Liyu Biopharmaceutical Technology Co., Ltd. (上海麗予生物醫藥技術有限責任公司)	990,000.00	0.00	0.00	990,000.00	0.00	0.00
Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司)	0.00	15,000,000.00	0.00	15,000,000.00	0.00	0.00
Zhuhai Livzon Pharmaceuticals Import and Export Trading Co., Ltd. (珠海市麗珠醫藥進出口貿易有限公司)	7,500,000.00	0.00	0.00	7,500,000.00	0.00	0.00
Total	2,949,467,145.20	42,000,000.00	0.00	2,991,467,145.20	0.00	17,287,569.18

(2) Investments in associates

Investee	Balance at the Beginning of the Year	Change during the Period								Balance at the End of the Period	Balance of provision for impairment at the End of the Period	
		Acquired/new investment	Disposed investment	Investment profit and loss recognized under the equity method	Adjustment in other comprehensive income	Other equity change	Cash dividend or profit distribution declared	Provision for impairment	Others			
Associates												
Livzon Medical Electronic Equipment (Plant) Co., Ltd. (麗珠醫用電子設備(廠)有限公司)	1,200,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,200,000.00	1,200,000.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	17,339,909.35	0.00	0.00	3,345,594.25	0.00	0.00	0.00	0.00	0.00	0.00	20,685,503.60	0.00
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	1,222,398.89	0.00	0.00	274,196.51	0.00	0.00	0.00	0.00	0.00	0.00	1,496,595.40	0.00
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	83,155,557.16	0.00	0.00	-22,889,193.47	527,718.52	497,687.40	0.00	0.00	0.00	0.00	61,291,769.61	0.00
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	751,549,763.92	0.00	0.00	82,286,589.62	4,723,927.54	0.00	111,980,000.00	0.00	0.00	0.00	726,580,281.08	0.00
Total	854,467,629.32	0.00	0.00	63,017,186.91	5,251,646.06	497,687.40	111,980,000.00	0.00	0.00	0.00	811,254,149.69	1,200,000.00

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

5. Operating income and operating cost

(1) Operating income and operating cost

Item	For the Period		For the Last Period	
	Income	Cost	Income	Cost
Principal activities	6,171,099,551.26	4,225,652,160.94	6,249,966,198.10	4,239,945,471.76
Other activities	50,065,827.74	25,115,408.67	28,342,679.85	22,921,607.77
Total	6,221,165,379.00	4,250,767,569.61	6,278,308,877.95	4,262,867,079.53

(2) Operating income, operating cost presented by product types

Item	For the Period		For the Last Period	
	Income	Cost	Income	Cost
Principal activities:				
Chemical drug preparation products	5,224,390,469.82	3,717,036,482.06	5,334,849,021.79	3,741,598,328.45
Traditional Chinese drug preparation products	738,861,721.69	414,598,833.25	691,472,190.66	401,260,920.34
Biological products	207,847,359.75	94,016,845.63	223,644,985.65	97,086,222.97
Subtotal	6,171,099,551.26	4,225,652,160.94	6,249,966,198.10	4,239,945,471.76
Other activities:				
Lease income	4,863,052.25	0.00	5,421,072.08	0.00
Others	45,202,775.49	25,115,408.67	22,921,607.77	22,921,607.77
Subtotal	50,065,827.74	25,115,408.67	28,342,679.85	22,921,607.77
Total	6,221,165,379.00	4,250,767,569.61	6,278,308,877.95	4,262,867,079.53

(3) Major business income and cost presented by regions of operations

Item	For the Period		For the Last Period	
	Income	Cost	Income	Cost
Domestic	6,171,099,551.26	4,225,652,160.94	6,249,966,198.10	4,239,945,471.76

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

5. Operating income and operating cost *(continued)*

(4) Major business income and cost presented by recognition time of income

Item	For the Period		For the Last Period	
	Income	Cost	Income	Cost
Commodities (recognized at a point in time)	6,171,099,551.26	4,225,652,160.94	6,249,966,198.10	4,239,945,471.76

6. Investment Income

Item	For the Period	For the Last Period
Long-term equity investments income under cost method	975,303,800.00	974,270,856.43
Long-term equity investments income under equity method	63,017,186.91	38,189,158.98
Investment income from financial assets held for trading during its holding period	95,587.48	75,810.76
Investment income from disposal of financial assets held for trading	3,907,500.00	-1,163,800.00
Total	1,042,324,074.39	1,011,372,026.17

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XVII. SUPPORTING INFORMATION

1. Statement of non-recurring profit or loss for the Period

Item	For the Period	For the Last Period
Profit or loss from disposal of non-current assets	860,661.89	9,457,741.32
Return, exemption and discharge of taxes resulting from approving ultra vires, or without formal approval or incidentally incurred	0.00	0.00
Government grants as included in the current profit or loss, however, except for those which are closely related to the normal business of an enterprise, comply with the policies of the State and are continuously entitled with specific amount or quantity according to certain standards	180,854,828.13	206,479,154.93
Funds occupation fees charged from non-financial enterprises	0.00	0.00
Gains resulting from the investment cost of the enterprise for the purpose of acquisition of the subsidiaries, joint operation and joint ventures is lower than the fair value of net identifiable assets of the investee as entitled at the time of receipt of the investment	0.00	0.00
Profit or loss from exchange of non-monetary assets	0.00	0.00
Profit or loss from investment or management of assets by the others	0.00	0.00
Provision for impairment of assets accrued due to force majeure factors, such as natural disasters	0.00	0.00
Profit or loss from debts restructuring	0.00	0.00
Enterprise restructuring fees, such as the expenses for employees' settlement and the integration fees	0.00	0.00
Profit or loss exceeding the fair value and generated from the transaction of which the transaction price is obviously unfair	0.00	0.00
Net profit or loss over the current period of the subsidiaries as a result of business combination under common control from the beginning of the year to the date of consolidation	0.00	0.00
Profit or loss from contingent issues irrelevant to the Company's normal business	0.00	0.00
Except for the efficient hedging related to the Company's normal business, profit or loss from changes in fair value as generated from financial assets and financial liabilities held for trading and gains from investment as a result of the disposal of financial assets and financial liabilities held for trading and debt investments	-97,711,369.19	1,975,577.48
Reversals of provision for impairment of accounts receivable with individual impairment test	0.00	0.00
Profit or loss from entrusted loans	0.00	0.00
Profit or loss from fair value change of the investment properties that are subsequently measured under the fair value model	0.00	0.00
Effect on current profit or loss as a result of the onetime adjustments to current profit or loss under the tax, accounting and other laws and regulations	0.00	0.00
Custody fees income from entrusted operation	0.00	0.00
Other non-operating income and expenses other than the abovementioned items	-20,005,007.48	-21,301,165.09

NOTES TO FINANCIAL STATEMENTS 2022

(Unless specified otherwise, all amounts are denominated in RMB)

XVII. SUPPORTING INFORMATION

1. Statement of non-recurring profit or loss for the Period (continued)

Item	For the Period	For the Last Period
Other profit or loss items as defined by the non-recurring profit or loss	0.00	0.00
Total non-recurring profit or loss	63,999,113.35	196,611,308.64
Less: Effect on income tax of non-recurring profit or loss	18,392,207.16	30,284,932.60
Less: Net effect of non-recurring profit or loss attributable to the minority shareholders (after tax)	16,671,869.01	17,690,611.93
Non-recurring profit or loss attributable to the Company's ordinary shareholders	28,935,037.18	148,635,764.11

Note: As for the figures in the non-recurring profit or loss column, "+" represents the gains and income, "-" represents the loss or expense.

The Company recognizes non-recurring profit or loss items according to the Explanatory Announcement No.1 on Corporate Information Disclosure for the Public Offering of Securities – Non-recurring Profit or Loss (ZJHGG [2008] No. 43).

2. Rate of return on net assets and earnings per share

2022

Profit during the reporting period	Rate of return on weighted average net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary shareholders	14.31	2.04	2.04
Net profit attributable to the Company's ordinary shareholders after a deduction of non-recurring profit or loss	14.09	2.01	2.01

2021

Profit during the reporting period	Rate of return on weighted average net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary shareholders	14.32	1.90	1.90
Net profit attributable to the Company's ordinary shareholders after a deduction of non-recurring profit or loss	13.12	1.74	1.74

Livzon Pharmaceutical Group Inc.
Chairman: Zhu Baoguo
30 March 2023



Livzon

Evergreen Life, Bright Future & Wisdom

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