



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



Evergreen Life, Bright Future & Wisdom

2024
INTERIM
REPORT

* For identification purpose only

CONTENTS

List of Documents Available for Inspection	2
Financial Highlights	3
Section I Important Notice and Definitions	5
Section II Company Profile and Major Financial Indicators	11
Section III Management Discussion and Analysis	16
Section IV Corporate Governance	103
Section V Environmental and Social Responsibility	109
Section VI Major Events	142
Section VII Changes In Equity and Shareholders	163
Section VIII Information on Preferred Shares	176
Section IX Information on Bonds	177
Section X Financial Report	178





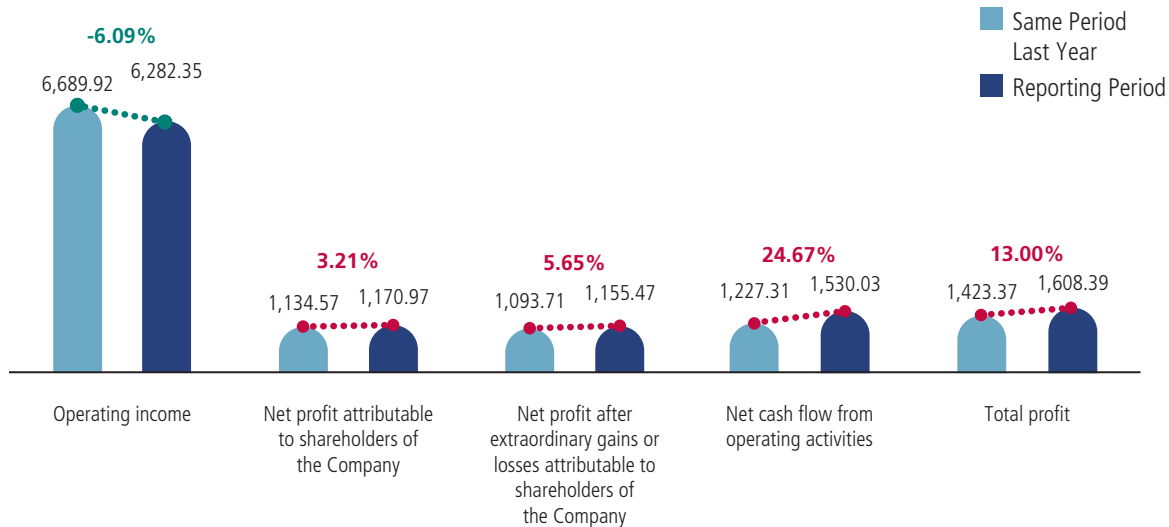
LIST OF DOCUMENTS AVAILABLE FOR INSPECTION

- (I) The unaudited financial statements for the six months ended 30 June 2024 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 accounting work and the person-in-charge of the accounting department (the head of the accounting department).
- (II) The original copies of all documents and announcements of the Company which have been disclosed to the public during the Reporting Period.
- (III) The English and Chinese versions of the 2024 Interim Report of the Company published on the website of the Hong Kong Exchanges and Clearing Limited.

FINANCIAL HIGHLIGHTS

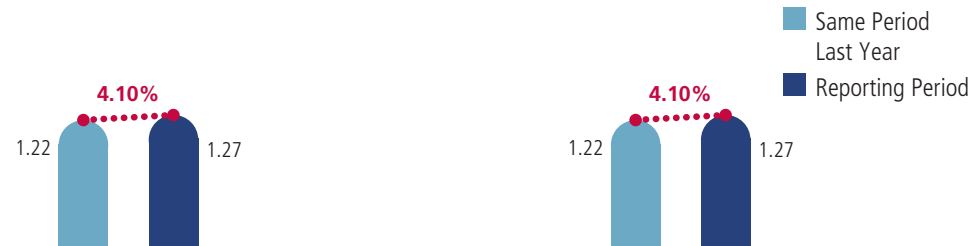


Major financial indicators (RMB in millions)

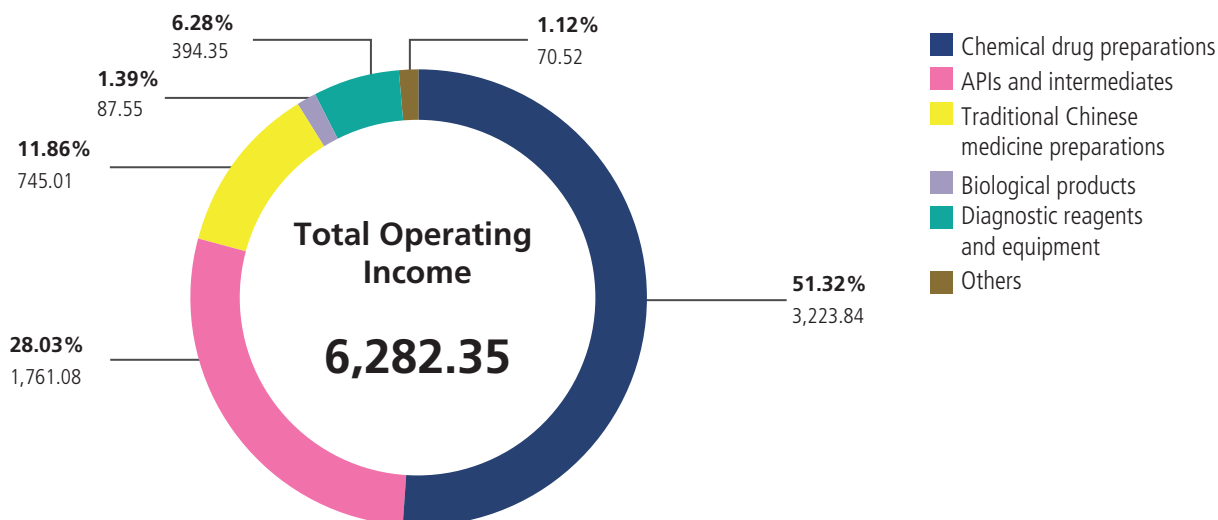


Basic earnings per share (RMB/share)

Diluted earnings per share (RMB/share)



Composition of operating income (RMB in millions)

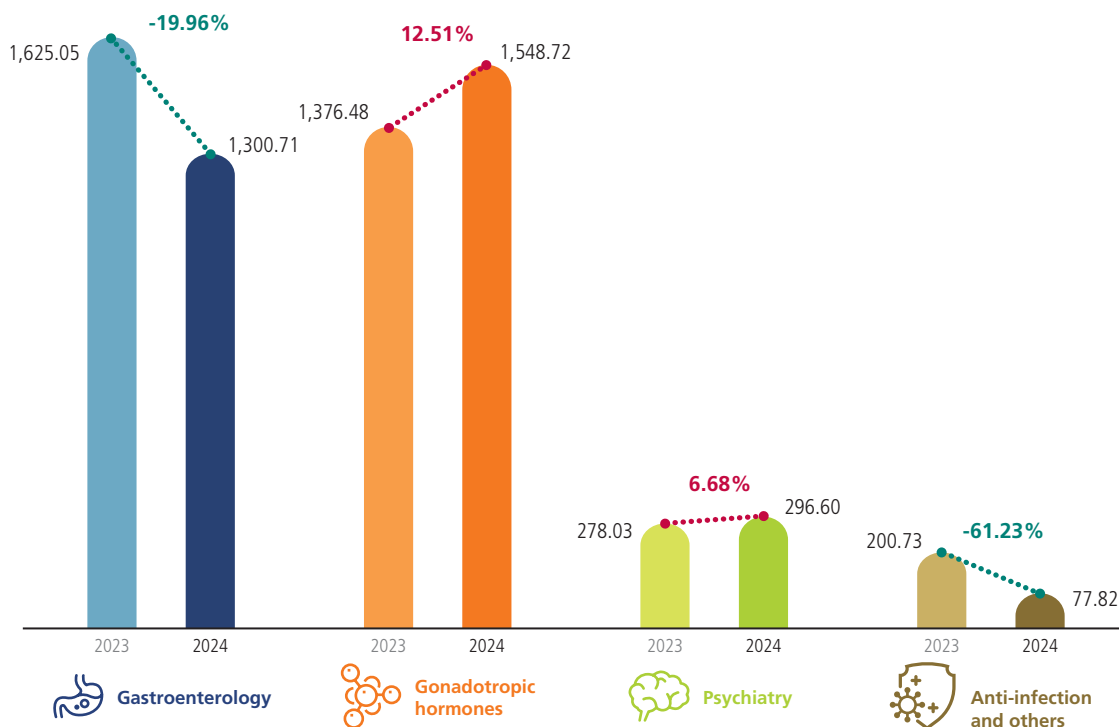


FINANCIAL HIGHLIGHTS

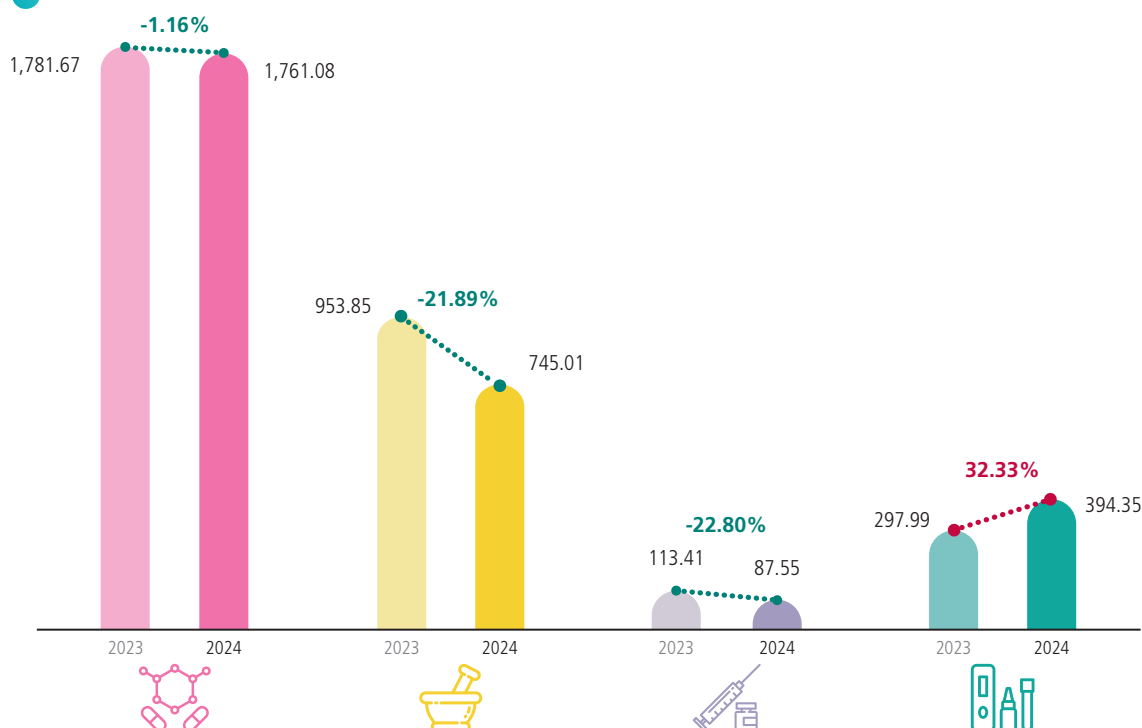
PERFORMANCE FOR THE REPORTING PERIOD IN TERMS OF REVENUE FROM VARIOUS SECTORS

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 the interim 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.

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, 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 the truthfulness, accuracy and completeness of the 2024 interim financial statements and notes thereof (the "Financial Report") contained in the Report.

The Report has been considered and approved at the 18th meeting of the 11th session of the Board of the Company and the audit committee of the Company. All the Directors attended the Board meeting to consider the Report.

The Financial Report prepared by the Group according to the China Accounting Standards for Business Enterprises has not been audited.

Possible risks and corresponding strategies in respect of the future development of the Company are analyzed in Section III "Management Discussion and Analysis" of the Report. Investors are advised to review it.

The Report contains forward-looking statements which involve subjective assumptions and judgments on future policies and economic conditions, yet do not constitute substantive undertakings of the Company to investors. 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 Company does not intend to pay cash dividends, issue bonus shares or transfer any capital reserve to share capital.

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

SECTION I IMPORTANT NOTICE AND DEFINITIONS

DEFINITIONS

In the 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
“Reporting Period” or “Period”	the six months from 1 January to 30 June 2024
“Same Period Last Year” or “Previous Period”	the six months from 1 January to 30 June 2023
“End of the Previous Year”	31 December 2023
“Beginning of the Reporting Period”, “Beginning of the Period” or “Beginning of the Year”	1 January 2024

SECTION I IMPORTANT NOTICE AND DEFINITIONS

"End of the Reporting Period" or "End of the Period"	30 June 2024
"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, 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 on 15 February 2006
"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"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 of the Hong Kong Listing Rules
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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》)
"Joincare"	Joincare Pharmaceutical Group Industry Co., Ltd.* (健康元藥業集團股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability and listed on the main board of the Shanghai Stock Exchange in 2001 (stock code: 600380) 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)
“Livzon Hecheng”	Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.* (珠海保稅區麗珠合成製藥有限公司)
“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)
“Limin Factory”	Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)
“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)

SECTION I IMPORTANT NOTICE AND DEFINITIONS

"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)
"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)
"Lijian Animal Healthcare"	Lijian (Guangdong) Animal Healthcare Co., Ltd. (麗健(廣東)動物保健有限公司)
"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
"Japanese Yen" or "JPY"	Japanese Yen, the lawful currency of Japan
"EUR"	EUR, the common currency of European Union
"MYR"	the lawful currency of Malaysia
"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 (SARS-CoV-2)
"COVID-19 vaccines"	Recombinant SARS-CoV-2 Fusion Protein Vaccine (LIKANG® (麗康®))
"R&D"	research and development
"CDE"	Center for Drug Evaluation (國家藥品監督管理局藥品審評中心)

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, Safety
"FDA"	Food and Drug Administration
"GMP"	Good Manufacturing Practice
"GAP"	Good Agriculture Practice
"QC"	Quality Control
"MVR"	Mechanical Vapor Recompression
"NDA"	New Drug Application

SECTION II COMPANY PROFILE AND MAJOR 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}
Previous stock abbreviation (if any)	粵麗珠A	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	
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	Room 1301, 13/F., YF Life Centre, 38 Gloucester Road, Wanchai, 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 H Shares of the Company were listed on the main board of the Hong Kong Stock Exchange.

* For identification purpose only

SECTION II COMPANY PROFILE AND MAJOR 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

III. OTHER INFORMATION

1. Contact details of the Company

Whether the registered address, office address and postal code, company website and email address of the Company changed during the Reporting Period

Applicable Not Applicable

There was no change on the registered address, the office address and postal code, company website, email address and etc. of the Company during the Reporting Period. Please refer to the 2023 Annual Report for details.

2. Information disclosure and places for inspection

Whether the information disclosure and the places for inspection changed during the Reporting Period

Applicable Not Applicable

There was no change in the website of the stock exchanges and the name and website of the media on which the Company disclosed the interim report and the places for inspection of the interim report of the Company during the Reporting Period. Please refer to the 2023 Annual Report for details.

3. Other relevant information

Whether other relevant information changed during the Reporting Period

Applicable Not Applicable

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

IV. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

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

Yes No

Item	Period	Previous Period	Unit: RMB
			Period-to-period change
Operating income	6,282,354,251.22	6,689,918,114.87	-6.09%
Net profit attributable to Shareholders of the Company	1,170,970,883.51	1,134,570,348.55	3.21%
Net profit attributable to the Shareholders of the Company after deducting the extraordinary gains or losses	1,155,469,307.79	1,093,705,689.21	5.65%
Net cash flow from operating activities	1,530,031,256.39	1,227,305,143.36	24.67%
Basic earnings per share (RMB/share)	1.27	1.22	4.10%
Diluted earnings per share (RMB/share)	1.27	1.22	4.10%
Weighted average return on equity	8.04%	7.89%	Increased by 0.15 percentage point

Item	End of the Period	Beginning of the Period	Period-to-period change
Total assets	25,575,959,811.53	25,044,827,127.75	2.12%
Net assets attributable to the Shareholders of the Company	13,919,888,489.52	14,042,495,302.72	-0.87%

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)	926,375,725
---	-------------

Fully diluted earnings per share based on the most updated share capital

Dividends payable to preferred shares	–
Interests payable to perpetual bonds	–
Fully diluted earnings per share based on the most updated share capital (RMB/share)	1.26

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

V. 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

VI. ITEMS AND AMOUNTS OF EXTRAORDINARY GAINS AND LOSSES

Applicable Not Applicable

Item	<i>Unit: RMB</i> Amounts
Gains and losses on disposal of non-current assets (including the written-off portion of provisions made for asset impairment)	-76,440.36
Government grants included in profit and loss for the Period (except for government grants closely associated with corporate businesses, met national policies and regulations, entitled at fixed amount or fixed level according to the national unified standards)	43,732,118.87
Gains or losses arising from changes in fair value derived from financial assets and financial liabilities held by non-financial enterprises and gains or losses generated on disposal of financial assets and financial liabilities, except for effective hedging activities related to the ordinary operating business of the Company	-16,341,104.57
Other non-operating income and expenditure apart from the above items	-3,880,962.55
Less: Income tax effect	4,425,407.74
Effect of minority interests (after tax)	3,506,627.93
Total	15,501,575.72

SECTION II · COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

VI. ITEMS AND AMOUNTS OF EXTRAORDINARY GAINS AND LOSSES *(continued)*

Details of other gains or losses items meeting the definition of extraordinary gains or losses

Applicable Not Applicable

During the Reporting Period, the Company had no other gains or losses items that meet the definition of extraordinary gains or losses.

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

Applicable Not Applicable

During the Reporting Period, the Company has not defined any items of extraordinary gains or losses as illustrated in the “Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No. 1 – Extraordinary Gains or Losses” as items of recurring gains or losses.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

I. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, 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, active pharmaceutical ingredients (“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 Livzon 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)), Livzon Antinuclear Antibody Test Kit (9/13/15) (Magnetic Barcode Immunofluorescence) (抗核抗體檢測試劑盒(磁條碼免疫熒光發光法)) and Nucleic Acid Test Kit for Human Immunodeficiency Virus Type 1 (Real-Time PCR) (人類免疫缺陷病毒1型核酸測定試劑盒(RT-PCR熒光探針法)).

In the first half of 2024, 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, further consolidating the foundation and capabilities for the sustainability of the enterprise.

During the Reporting Period, the Group recorded an operating income of RMB6,282.35 million, representing a decrease of 6.09% as compared with RMB6,689.92 million in the Same Period Last Year, and a net profit attributable to Shareholders of the Company of RMB1,170.97 million, representing an increase of 3.21% as compared with RMB1,134.57 million in the Same Period Last Year. Excluding extraordinary gains and losses, the Company’s net profit attributable to its Shareholders generated from principal businesses in the first half of 2024 was RMB1,155.47 million, representing an increase of 5.65% as compared with RMB1,093.71 million in the Same Period Last Year.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

I. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD *(continued)*

During the Reporting Period, the progress of major tasks in various business segments of the Group was set out as follows:

(1) Chemical drug preparations

During the Reporting Period, the Group realized sales revenue of RMB3,223.84 million from chemical drug preparation products, representing a year-on-year decrease of 7.37% and accounting for 51.32% of the Group's operating income.

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. During the Reporting Period, the Group optimized its organizational structure of R&D system and established a modular and flat R&D management system. At the same time, the Group strengthened project initiation management, improved the project re-evaluation mechanism, and coordinated and optimized the projects under development. By using project management tools, the Group allocated R&D resources reasonably, concentrated advantageous resources and R&D investments to fully advance competitive innovative projects and core areas. During the Reporting Period, the Group made phased progress in the certain key projects of chemical drugs in the development track: 8 mg Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片) was approved for market launch; the indication of Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) (1-month sustained release) for prostate cancer was approved for market launch in 2023, and the supplementary materials for endometriosis indication had been submitted, and the clinical trial for central precocious puberty indication was initiated; Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) (1 month sustained release) was applied for production in 2023, with the completion of on-site pharmaceutical registration inspection and clinical inspection, receipt of supplementary notice, and commencement of related research; Zoledronic Acid for Injection (注射用磷酸特地唑胺), Magnesium Sulfate, Sodium Sulfate and Potassium Sulfate Concentrate Oral Solution (硫酸鎂鈉鉀口服用濃溶液), Progesterone Injection (黃體酮注射液) were filed for market launch; Leuprorelin Acetate Microspheres for Injection (11.25 mg) (注射用醋酸亮丙瑞林微球 (11.25 mg)) and Paliperidone Palmitate Injection (棕櫚酸帕利哌酮注射液) are undergoing BE testing. In addition, the innovative projects introduced by BD has been also steadily progressing: JP-1366 Tablets (the P-CAB product), HHT120 capsules for preventing venous thromboembolism after major orthopedic surgery, and SG1001 tablets for invasive fungal infections have all entered Phase I clinical trials.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

I. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD *(continued)*

(1) Chemical drug preparations *(continued)*

During the Reporting Period, the Group fully implemented marketing arrangements: (1) it fully implemented compliant marketing and expanded the self-operated team. At the same time, the existing marketing structure was optimized, with structural adjustments made to the marketing head office and the digital expansion department, and the KA project department's organizational functions were optimized; (2) with evidence-based marketing at its core, it proceeded the clinical comprehensive evaluation and pharmaco-economics research of key products in the post-launch stage in an orderly manner; (3) with KA hospitals, Class 3 hospitals and key Class 2 hospitals as the key terminal promotion direction, the sales volume of core products, Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) and Fluvoxamine Maleate Tablets (馬來酸氟伏沙明片) maintained steady growth; (4) it steadily advanced the market access and promotion of the new product Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球); (5) it actively expanded international business, Cetrorelix Acetate for Injection (注射用醋酸西曲瑞克) has been approved for market launch in the United States, and the sales and registration of products such as assisted reproduction, gastroenterology, and anti-infective drugs continued in a number of countries such as the United States, Pakistan, Indonesia, Malaysia, the Philippines, Vietnam, and Thailand. In the first half of 2024, overseas export revenue of chemical drug preparations steadily increased.

In respect of production and quality management, the Group continued to strengthen the connection management of production, supply and sales, and continuously improved the quality control capabilities of drugs. The quality management head office adopted a series of inspection methods such as regular audits, special audits, and extended checks to supervise the quality of scientific research and production, expanding the scope and enhancing the intensity of inspections. During the Reporting Period, the quality of the Group's research, production, and operations was generally favorable. To cope with the intense market landscape, the Group has comprehensively enhanced lean management, promoted lean production, improved production efficiency, reduced production and operational costs, strengthened EHS management and assessment, and enhanced ESG management of supply chain to steadily improve supply chain risk control and supply assurance capabilities.

As for the chemical preparations segment, the Group will continue to focus on several core areas such as gastroenterology, neurology and psychiatry, assisted reproduction, metabolism and anti-infection, build a competitive and differentiated innovative pipeline, and concentrate its advantageous resources to accelerate the progress of key innovative projects under research in the second half of 2024. The Group will promote the dual-track development of independent R&D and BD for innovative R&D, strengthen the layout of innovative drugs through various methods such as collaborative development and licensing introduction, with a focus on mid- and late-stage clinical projects that have high market potential, strong innovation, and long patent protection periods. Meanwhile, the Group will further promote the overseas drug registration application and the development of international markets. The Group's marketing will continue to focus on compliance marketing, with evidence marketing as the core, accelerate the formation of its own sales team, promote the rapid coverage of core products, and plan the market strategy for the innovative drug Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) before its launch. In respect of production management, the Group will continue to strengthen internal operation management and enhance the quality management of the entire life cycle, improve the supply chain coordination management capabilities, boost the level of automation equipment and intelligent manufacturing capabilities, accelerate product delivery, reduce costs and increase efficiency, and comprehensively enhance product competitiveness.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

I. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD *(continued)*

(2) Biological products

During the Reporting Period, the Group realized sales revenue of RMB87.55 million from biological products, representing a year-on-year decrease of 22.80% and accounting for 1.39% of the Group's operating income.

Livzon Group has insisted on the independent R&D and authorized introduction of innovative biologics, with equal emphasis on both, with the R&D direction continuing to focus on autoimmune diseases, vaccines, and assisted reproduction. The progress of key projects under research is as follows: (1) the phase III clinical trial of Recombinant Human Follitropin Alfa Solution for Injection (重組人促卵泡激素注射液) was completed with all subjects enrolled by the end of March 2024, while the data cleaning is underway and the main endpoint analysis results are expected in the third quarter, followed by the pre-BLA application; (2) Semaglutide Injection (司美格魯肽注射液) for type II diabetic indications has been submitted for production and is under technical review, while the clinical trial approval was obtained for the weight reduction indication, and phase III clinical trial preparations are ongoing; (3) 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) officially launched the phase III clinical trial for psoriasis indication in August 2023, which is the first IL-17 drug in China to initiate a head-to-head clinical study with Secukinumab (司庫奇尤), with all subjects being enrolled by the end of April 2024, and the ankylosing spondylitis indication (jointly applied with Beijing Xinkanghe Biomedical Technology Co., Ltd. (北京鑫康合生物醫藥科技有限公司)) has also completed enrollment of all phase III clinical trial subjects by early July 2024.

In addition, Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素) was approved for market launch and sales in 2021 as the first generic drug in China's mainland. Through actively conducting its work related to overseas registration, it has been approved for market launch in Tajikistan and Indonesia with the first batch already shipped to Indonesia. Market launch applications have also been submitted in multiple countries. Tocilizumab Injection (托珠單抗注射液) has been approved for market launch in early 2023. The Group is actively promoting overseas cooperation and sales of the raw liquid and formulation. Following the emergency use of Recombinant SARS-CoV-2 Fusion Protein Vaccine V-01 (重組新型冠狀病毒融合蛋白疫苗V-01), Recombinant SARS-COV-2 Bivalent (Original/Omicron XBB) Fusion Protein Vaccine (CHO Cell) (重組新型冠狀病毒融合蛋白二價(原型株/Omicron XBB變異株)疫苗(CHO細胞)) Vaccine was approved for emergency use in December 2023, with vaccine deliveries and vaccinations completed in multiple provinces and cities. In accordance with the latest vaccine regulatory policies, the Group is actively adjusting and carrying out the corresponding tender admission and market promotion work for Category 2 vaccines.

With the gradual entry of R&D projects into the production and commercialization stage, the quality system improvement and product commercialization process of LivzonBio were also continuously accelerating, and the GMP system and industrialization capabilities was gradually improved. In addition, optimization of the organizational structure and flattening of the management of LivzonBio has further enhanced management efficiency and overall operational capability.

In the second half of 2024, LivzonBio will continue to strengthen independent innovation and R&D project initiation, while actively introducing innovative projects through BD to further enrich the Group's product layout in biological innovative drugs and build a competitive and differentiated innovation pipeline. We will continue to accelerate the R&D progress of key R&D projects such as Semaglutide Injection (司美格魯肽注射液) and 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). We will excel in completing the sales of marketed products such as Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素) and Tocilizumab Injection (托珠單抗注射液). We will continue to strengthen the quality system construction for the production of biological products, focus on the production quality, and ensure supply and compliance management of products.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

I. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD *(continued)*

(3) APIs and intermediates

During the Reporting Period, the Group realized sales revenue of RMB1,761.08 million from APIs and intermediates products, representing a year-on-year decrease of 1.16%, and accounting for 28.03% of the Group's operating income.

In the first half of 2024, the three major segments of the export business (high-end antibiotics, pet deworming drugs and intermediates products) continued to plough through market segments and strived to increase orders: (1) high-end antibiotic products such as Vancomycin (萬古霉素), Teicoplanin (替考拉寧) and Daptomycin (達托霉素) maintained a good growth momentum, with market share remaining among the top globally; (2) sales volume of pet deworming drug series products such as Milbemycin Oxime (米爾貝肱), Moxidectin (莫昔克丁) and Doramectin (多拉菌素) decreased due to slightly reduced demand from European and American customers and low-price competition in other markets; (3) sales volume of Mycophenolic Acid (霉酚酸), an intermediate, achieved continuous growth by catering to both original and generic drug customers; the sales of Ceftriaxone (頭孢曲松) also increased through its industrial chain advantages and our strategic cooperation. In the face of intense competition in the domestic market, we actively seize opportunities for domestic consistency evaluation, vigorously develop new customers, and firmly grasp strategic customers to maintain the steady growth of the sales volume of products such as Cephalosporins, L-Phenylalanine (L-苯丙氨酸), and Mycophenolic Acid (霉酚酸).

In terms of R&D, at present, the high-end pet drugs Fluralaner (氟雷拉納) and Afoxolaner (阿氟拉納) have completed industrialized production of validation batch and have been registered in the United States; the antibiotic product Dabavancin Hydrochloride (鹽酸達巴萬星) has completed industrialized production of validation batch and passed the DMF deficiency response of FDA on-site inspection, and has been registered in the United States and Europe; Polymyxin B Sulphate (硫酸多黏菌素B) has also completed industrialized production of validation batch and has been registered in China, the United States, and Europe, and has currently obtained the European CEP certificate. To further enhance Livzon Group's competitiveness in the APIs and intermediates segments, the APIs business department established a BD department. During the Reporting Period, we successfully introduced 2 projects in fields such as high-end antibiotics, and steadily advanced their implementation.

During the Reporting Period, the APIs and intermediates production enterprises completed the enrichment and supplementation of products on three production lines, maximizing the utilization of the production lines. Fuzhou Fuxing under the business department continued to strive to build a high-quality, high-standard, compliant, and legal special APIs production base, which achieved a "zero 483" record in the FDA inspection and passed the Brazilian official inspection with "zero" defects. The aforementioned work has further enhanced the Group's comprehensive competitiveness in the APIs segment in terms of process level, cost control, product quality, etc.

In the second half of 2024, the APIs business department will continue to adhere to the guiding ideology of "securing safety and environmental protection, improving quality, reducing costs, introducing new products, focusing on R&D and capturing the market shares", and strengthen management to further enhance industry competitiveness. In terms of marketing, we will further broaden our thinking, actively seek new breakthroughs, develop new clients and new markets, and increase market coverage to ensure continuous growth in sales performance and achieve the annual sales target. We will also carry forward the self R&D and BD simultaneously, with a focus on R&D of high-end antibiotics and API products for pets, and actively introduce new varieties of fermentation or synthetic types. In addition, products with high compatibility will continue to be added to different production lines to fully utilize the production lines, thus reducing costs and increasing efficiency.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

I. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD *(continued)*

(4) Traditional Chinese medicine preparations

During the Reporting Period, the Group realized sales revenue of RMB745.01 million from the traditional Chinese medicine (“TCM”) preparation products, representing a year-on-year decrease of 21.89%, accounting for 11.86% of the Group’s operating income.

In terms of R&D, relying on the Group’s profound accumulation and R&D advantages in the field of TCM, based on diseases on which TCM have treatment advantages and clinical position of exclusive varieties, the Group focused on promoting the R&D planning and investment on new TCM with unique features and classic prescriptions. 8 new TCM projects under research are progressing as schedule, among which LZZG2102, a new Class 3.1 TCM, has completed technical process verification and Pre-NDA communication, and is planned to complete NDA registration application in the second half of 2024.

In the first half of 2024, the Company continued to optimize the traditional channels and terminal structures of key traditional Chinese medicine preparations, deeply cultivated end markets such as hospitals with levels, primary medical institutions, retail pharmacies, and e-commerce platforms. In view of the lifting of the restrictions on the cancer types of Shenqi Fuzheng Injection (參芪扶正注射液) in the new Medical Insurance Catalogue, the Company strengthened the layout of Shenqi Fuzheng Injection (參芪扶正注射液) in the whole oncology field and expand the coverage of medical institutions in the first half of 2024, promoting the steady growth of sales in hospitals with levels. In terms of Anti-viral Granules (抗病毒顆粒), the Company continued to focus on the retail and online markets, further enhancing its brand influence.

In addition, under the overall guidance of “controlling risks, ensuring quality and focusing on improvement”, the Company continuously carried out lean production management in the production of traditional Chinese medicine preparations, advancing cost refinement and enhancing the quality assurance system. Sichuan Guangda has completed the construction of its new factory area and put into use, realizing the transformation and upgrading of traditional Chinese medicine manufacturing.

In the second half of 2024, the Company will continuously improve the innovative R&D system for traditional Chinese medicine preparations, enhance R&D efficiency, and enrich the channels of innovative traditional Chinese medicine products. Meanwhile, the Company will constantly conduct post-launch studies on key products that have already been launched, providing strong support for rational clinical drug use. The Group will still focus on the promotion of Shenqi Fuzheng Injection (參芪扶正注射液) for all cancer types in hospitals with levels and increase brand promotion efforts of Anti-viral Granules (抗病毒顆粒). The Group will also continue to promote the research on key medicinal materials for core products and the construction of green ecological planting bases, and comprehensively start from multiple dimensions such as medicinal materials resources, planting and production bases, marketing and academic promotion, tradition and scientific research innovation to achieve the development of Livzon’s ecologization, modernization and digitization in the field of TCM.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

I. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD *(continued)*

(5) Diagnostic reagents and equipment

During the Reporting Period, the Group realized sales revenue of RMB394.35 million from diagnostic reagents and equipment, representing a year-on-year increase of 32.33%, and accounting for 6.28% of the Group's operating income.

During the Reporting Period, Livzon Diagnostics' marketing efforts focused on strengthening new customer management and digital marketing, resulting in a continuous increase in customer share and the number of benchmark customers. Among them, sales of respiratory products and major infectious disease products grew rapidly. At the same time, the transition of TPPA (Passive Particle Agglutination Test for Detection of Antibodies to *Treponema Pallidum*) (梅毒螺旋體抗體檢測試劑盒(凝集法)) and MYCOII (Diagnostic Kit for Measurement of Antibodies to *Mycoplasma Pneumonia* (Passive Particle Agglutination)) (肺炎支原體抗體檢測試劑盒(被動凝集法)) from agency products to self-produced products has been completed on the client side, still maintaining a growth trend in sales, with a significant year-on-year increase in the transitioned products. R&D work continued to focus on the strategic disease areas to deepen its business layout, leveraging mature technology platforms to develop multiple disease detection products and further improve the solutions. In the first half of 2024, the company's fully-automatic immune analyzer adapted for Livzon Interferon-Gamma Release Assays (IGRA) Test Kit (Chemiluminescence Immunoassay) (結核感染T細胞測定試劑盒(化學發光法)) was approved for alteration; Livzon Vasculitis Antibody Test Kit (Chemiluminescence Immunoassay) (血管炎三項(化學發光法)試劑盒) and its quality control products obtained the first registration certificates; and the Rapid Test for Influenza A/B Antigen (Lateral Flow) (甲型/乙型流感抗原檢測試劑盒(膠體金法)) obtained the registration certificate.

In the second half of 2024, Livzon Diagnostics will continue to carry out the following key work in areas such as respiratory tract, autoimmunity and severe infectious diseases: (1) marketing efforts will primarily focus on the launch and promotion of new products like the Rapid Test for Influenza A/B Antigen (Lateral Flow) (甲型/乙型流感抗原檢測試劑盒(膠體金法)) and the new immune multi-functional integrated platform, to further enrich the product line in the respiratory field and strengthen the platform advantages in the autoimmune field; (2) in terms of R&D, efforts will be made to fully integrate R&D, registration, production, quality, and marketing modules to prepare for the market introduction of the high-speed multifunctional immunoassay platform and its supporting reagent projects; (3) in terms of production, efforts will be focused on the mass production of new chemiluminescence products and the optimization of product quality.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

I. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD *(continued)*

(6) Commercial development and functional management

The Company strengthened the layout of innovative drugs through various methods including cooperative development and licensing-in, while actively promoting the international transfer or collaborative development of self-developed products. As at the disclosure date of this report, BD work achieved phase progress: Firstly, the licensing-in of varieties, with a focus on mid-to-late clinical projects that have significant market potential, strong innovation, and long patent protection periods. The Company successively introduced innovative drugs of DHODH inhibitors in the anti-infective field, innovative drugs of PDE5 inhibitors in the male health field, and innovative drugs of KCNQ2/3 inhibitors in the neuropsychiatric field, further enriching the Company's innovative drug product layout. Secondly, while implementing the licensing-in strategy, the BD team has also been accelerating the pace of "out-licensing" of its projects, the Company has been promoting international cooperation and out-licensing for its products and pipeline, actively exploring the "going overseas" of products, promoting global synchronous development, and constantly expanding the international market. We believe that BD will be the key focus of the Company's innovative R&D work in the second half of 2024 and even for a longer period in the future. Internally, we will incubate advantageous projects, while externally, we will seek opportunities for reinforcement, striving to achieve a dual drive of independent R&D and BD.

The key tasks of the functional management of the Company were set out as follows:

(1) the Group continuously improved the systematic talent development mechanism. While strengthening the internal development, training and promotion of young talents, the Group introduced a number of high-end talents in the fields of medicine, pharmacy and production around the world to build a key talent supply chain system; (2) the Group established the Non-Clinical Research Department, Registration Department, and Scientific Research Management Headquarters, while optimizing the management structure of BD, pharmaceutical, and medical clinical departments to further improve the R&D organizational structure, strengthen systematic R&D construction, and continuously enhance R&D efficiency; (3) the Group actively practised the Company's core values of "Happy Life, Happy Work," continuously improved the work, living facilities, and environment in the park, carried out various sports competitions and team-building activities to enrich employees' amateur life, and established the "Employee Serious Illness Relief Fund" to enhance employees' ability to resist disease risks and improve the level of protection.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

II. 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, 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

III. ANALYSIS OF PRINCIPAL BUSINESSES

1. Summary

Whether it is the same as that disclosed in principal businesses of the Company during the Reporting Period

Yes No

Please refer to the "I. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD" 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.

4. Material changes in the composition or sources of profit of the Company during the Reporting Period

Applicable Not Applicable

There were no material changes in the composition or sources of profit of the Company during the Reporting Period.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF PRINCIPAL BUSINESSES (continued)

5. Composition of operating income

Unit: RMB

	Period		Previous Period		
	Amount	As a percentage of operating income	Amount	As a percentage of operating income	Period-to-period change
Total operating income	6,282,354,251.22	100.00%	6,689,918,114.87	100.00%	-6.09%
By industry					
Pharmaceutical manufacturing industry	6,282,354,251.22	100.00%	6,689,918,114.87	100.00%	-6.09%
By Product					
Chemical drug preparation products					
Gastroenterology products	1,300,705,836.04	20.71%	1,625,051,253.58	24.29%	-19.96%
Gonadotropic hormone products	1,548,720,589.35	24.65%	1,376,483,834.35	20.58%	12.51%
Psychiatry products	296,598,818.64	4.72%	278,026,339.20	4.15%	6.68%
Anti-infection and other products	77,815,210.65	1.24%	200,728,495.50	3.00%	-61.23%
API and intermediate products	1,761,085,709.09	28.03%	1,781,670,689.32	26.63%	-1.16%
Traditional Chinese medicine preparation products	745,009,076.82	11.86%	953,849,524.45	14.26%	-21.89%
Biological products	87,546,778.71	1.39%	113,409,489.23	1.70%	-22.80%
Diagnostic reagent and equipment products	394,351,087.80	6.28%	297,994,623.29	4.45%	32.33%
Others	70,521,144.12	1.12%	62,703,865.95	0.94%	12.47%
By region					
Domestic	5,434,254,800.86	86.50%	5,837,038,944.67	87.25%	-6.90%
Overseas	848,099,450.36	13.50%	852,879,170.20	12.75%	-0.56%

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

6. Industries, products or regions representing over 10% of operating income or operating profit of the Company

Unit: RMB

	Operating Income	Operating Costs	Gross profit margin	Period-to-period change in operating income	Period-to-period change in operating costs	Period-to-period change in gross profit margin
By industry						
Pharmaceutical manufacturing industry	6,282,354,251.22	2,138,550,303.96	65.96%	-6.09%	-10.99%	Increased by 1.87 percentage points
By Product						
Chemical drug preparation products	3,223,840,454.68	607,593,445.62	81.15%	-7.37%	-17.35%	Increased by 2.27 percentage points
API and intermediate products	1,761,085,709.09	1,107,122,257.52	37.13%	-1.16%	-1.96%	Increased by 0.51 percentage point
Traditional Chinese medicine preparation products	745,009,076.82	181,982,678.11	75.57%	-21.89%	-39.44%	Increased by 7.08 percentage points
By region						
Domestic	5,434,254,800.86	1,704,908,593.82	68.63%	-6.90%	-12.64%	Increased by 2.06 percentage points
Overseas	848,099,450.36	433,641,710.14	48.87%	-0.56%	-3.82%	Increased by 1.74 percentage points

With adjusted basis of data statistics of the principal businesses of the Company during the Reporting Period, data of the principal businesses of the Company in the latest period after adjustment on year-end basis

Applicable Not Applicable

Major customers and suppliers

During the Reporting Period, sales to the five largest customers of the Group accounted for 7.94% (Same Period Last Year: 8.55%) of income from principal businesses of the Group, while amount of purchases from the five largest suppliers of the Group accounted for approximately 29.31% (Same Period Last Year: 29.92%) of the Group's total amount of purchases of raw materials. The five largest customers have been customers of the Group for 16.60 years on average, and the five largest suppliers have been suppliers of the Group for 13.60 years on average.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF PRINCIPAL BUSINESSES (continued)

7. Investment in R&D

✓ Applicable □ Not Applicable

Number	Name of major R & D projects	Project purpose (Indications)	Project progress	Objectives to be achieved	Expected impact on the future development of the Company
1	Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片)	Schizophrenia	The 8 mg specification has been approved for market launch, and the 4 mg specification in BE trial	Approved for market launch	Enriching the Company's product pipeline in the psychiatry field
2	Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球)	Prostate cancer patients requiring androgen deprivation therapy Endometriosis Central precocious puberty	Production approval acquired, post-launch changes initiated Filed for production Phase III clinical trial	Added new production sites, new APIs manufacturers, and expanded batches Approved for market launch Progress follow-up work as planned	Enriching the Company's product pipeline in the anti-tumor field Enriching the Company's product pipeline in reproduction field Enriching the Company's product pipeline in endocrine field
3	Recombinant SARS-COV-2 Bivalent (Original/Omicron XBB) Fusion Protein Vaccine (CHO Cell) (重組新型冠狀病毒融合蛋白二價(原型株/Omicron XBB變異株)疫苗(CHO細胞))	For prevention of the diseases caused by infection with the COVID-19	Approved for emergency use	Approved for market launch	Enriching the Company's product pipeline in the vaccine field
4	Aripiprazole Microspheres for injection (注射用阿立哌唑微球)	Schizophrenia	Filed for production	Approved for market launch	Enriching the Company's product pipeline in the psychiatry field
5	Semaglutide Injection (司美格魯肽注射液)	This product is applicable to blood sugar control in adult patients with type 2 diabetes: for adult patients with type 2 diabetes who has received, on the basis of diet control and exercise, the treatment of metformin and/or sulfonylureas but failed to control their blood sugar. Applicable to reducing the risk of major adverse cardiovascular events (such as cardiovascular death, non-fatal myocardial infarction, or non-fatal stroke) in adult patients with type 2 diabetes as well as cardiovascular diseases	Filed for production	Approved for market launch	Enriching the Company's product pipeline in the endocrine field

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

7. Investment in R&D *(continued)*

Number	Name of major R & D projects	Project purpose (Indications)	Project progress	Objectives to be achieved	Expected impact on the future development of the Company
6	Lurasidone Hydrochloride Tablets (鹽酸魯拉西酮片)	Schizophrenia	Filed for production, supplementary materials has been submitted, and it is under review	Approved for market launch	Enriching the Company's product pipeline in the psychiatry field
7	Tedizolid Phosphate for Injection (注射用磷酸特地唑胺)	For the treatment of acute bacterial skin and skin soft tissue infections	Filed for production	Approved for market launch	Enriching the Company's product pipeline in the anti-infection field
8	Magnesium Sulfate, Sodium Sulfate and Potassium Sulfate Concentrate Oral Solution (硫酸鎂鈉鉀口服濃溶液)	This product is applicable to adults and is used for bowel cleansing before any procedures that require bowel cleaning (such as procedures requiring bowel visualization including endoscopy, radiological examination, and surgery)	Filed for production	Approved for market launch	Enriching the Company's product pipeline in the bowel cleansers field
9	Progesterone Injection (黃體酮注射液)	For the treatment of progesterone support for infertile women with assisted reproductive technology	Filed for production, supplementary data has been submitted, and it is under review	Approved for market launch	Enriching the Company's product pipeline in the reproduction field
10	Semaglutide Injection (司美格魯肽注射液)	Weight management	Phase III clinical trial	Progress follow-up work as planned	Enriching the Company's product pipeline in the endocrine and beauty fields
11	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)	psoriasis, ankylosing spondylitis	Phase III clinical trial	Progress follow-up work as planned	Enriching the Company's product pipeline in the self-immunity field
12	Recombinant Human Follitropin Alfa Solution for Injection (重組人促卵泡激素注射液)	Assisted reproduction	Phase III clinical trial	Progress follow-up work as planned	Enriching the Company's product pipeline in the reproduction field
13	Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) (11.25 mg)	Prostate cancer, breast cancer and precocious puberty	BE trial	Progress follow-up work as planned	The first 3-month microsphere generic drug is in China, which can enrich the Company's product pipeline in the anti-tumor field

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF PRINCIPAL BUSINESSES (continued)

7. Investment in R&D (continued)

Number	Name of major R & D projects	Project purpose (Indications)	Project progress	Objectives to be achieved	Expected impact on the future development of the Company
14	Paliperidone Palmitate Injection (棕櫚酸帕利哌酮注射液)	For the treatment of acute and maintenance phases of schizophrenia	BE trial	Progress follow-up work as planned	Enriching the Company's product pipeline in the psychiatry field
15	Alarelin Acetate Microspheres for Injection (注射用醋酸丙氨瑞林微球)	Prostate cancer, breast cancer, and endometriosis	Phase I clinical trial	Progress follow-up work as planned	Strengthening the Company's product pipeline in the microsphere field and enriching the Company's product pipeline in the anti-tumor field
16	JP-1366 Tablets (JP-1366片劑)	Reflux esophagitis	Phase I clinical trial	Progress follow-up work as planned	Enriching the Company's product pipeline in the gastroenterology field
17	HHT120 Capsules (HHT120膠囊)	For prevention of venous thromboembolism after major orthopaedic operation	Phase I clinical trial	Progress follow-up work as planned	Enriching the Company's product pipeline in the cardiovascular field
18	SG1001 Tablets (SG1001片劑)	For the treatment of invasive fungal infections	Phase I clinical trial	Progress follow-up work as planned	Enriching the Company's product pipeline in the antifungal field
19	Fadanafil Tablets (複達那非片)	Benign prostatic hyperplasia, erectile dysfunction, benign prostatic hyperplasia and erectile dysfunction, pulmonary arterial hypertension	The three indications have been completed in Phase I clinical trials	Progress follow-up work as planned	It is complementary to the Company's existing QianLie Suppository (前列安粒), enriching the Company's product pipeline in the andrology or urology and nephrology field
20	JP-1366 Injection (JP-1366注射液)	Peptic ulcer hemorrhage	Pre-clinical study	Progress follow-up work as planned	Enriching the Company's product pipeline in the gastroenterology field
21	SG1001 Injection (SG1001注射液)	For the treatment of invasive fungal infections	Pre-clinical study	Progress follow-up work as planned	Enriching the Company's product pipeline in the antifungal field

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

7. Investment in R&D *(continued)*

Number	Name of major R & D projects	Project purpose (Indications)	Project progress	Objectives to be achieved	Expected impact on the future development of the Company
22	Brexpiprazole Microspheres for Injection (注射用布瑞哌唑微球)	Adult schizophrenia, schizophrenia in ages 13-17, major depressive disorder (MDD) in adults as adjunctive therapy with antidepressants, agitation symptoms associated with Alzheimer's disease dementia (ADD)	Pre-clinical study	Progress follow-up work as planned	Enriching the Company's product pipeline in the psychiatry field
23	Goserelin Acetate Sustained-release Implant (醋酸戈舍瑞林缓释植入剂)	For the treatment of prostate cancer suitable for hormone therapy, premenopausal and perimenopausal breast cancer, endometriosis	Pre-clinical study	Progress follow-up work as planned	Enriching the Company's product pipeline in the assisted reproduction and anti-tumor fields
24	Omega-3 Fatty Acid Ethyl Ester 90 Soft Capsules (ω -3脂肪酸乙酯90软胶囊)	For the treatment of reducing triglyceride levels in adult patients with severe hypertriglyceridemia	Pharmaceutical study	Progress follow-up work as planned	Enriching the Company's product pipeline in the cardiovascular field
25	Fluvoxamine Maleate Release Capsules (马来酸氟伏沙明缓释胶囊)	Obsessive compulsive disorder	Pharmaceutical study	Progress follow-up work as planned	Strengthening the existing general formulation products, extending the product lifecycle and enriching the Company's product pipeline in psychiatry field
26	Teicoplanin for Injection (注射用替考拉宁)	For the treatment of skin and soft tissue infections, urinary tract infections, respiratory tract infection, bone and joint infections, sepsis, endocarditis, and peritonitis related to continuous ambulatory peritoneal dialysis	Pharmaceutical study	Progress follow-up work as planned	Enriching the Company's product pipeline in the anti-infection field

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

7. Investment in R&D *(continued)*

Number	Name of major R & D projects	Project purpose (Indications)	Project progress	Objectives to be achieved	Expected impact on the future development of the Company
27	Dabavancin Hydrochloride for Injection (注射用鹽酸達巴萬星)	For the treatment of acute bacterial skin and skin structure infections (ABSSSI) caused by MRSA and β -hemolytic streptococci	Pharmaceutical study	Progress follow-up work as planned	Enriching the Company's product pipeline in the anti-infection field
28	Daptomycin for Injection (注射用達托霉素)	For the treatment of complicated skin and skin-structure infections (cSSSI); adult bloodstream infections (bacteremia) caused by <i>Staphylococcus aureus</i> (including methicillin-sensitive and methicillin-resistant strains), as well as concurrent right-sided infective endocarditis; bloodstream infections (bacteremia) caused by <i>Staphylococcus aureus</i> in pediatric patients (1-17 years old)	Pharmaceutical study	Progress follow-up work as planned	Enriching the Company's product pipeline in the anti-infection field
29	LZZG2101	Cardiovascular diseases	Validation stage	Approved for market launch	A traditional Chinese medicine preparation which can enrich the Company's product pipeline in the cardiovascular field
30	LZZG2102	Gynecopathy diseases	Submitted for Pre-NDA communication	Approved for market launch	A traditional Chinese medicine preparation which can enrich the Company's product pipeline in the gynaecology field
31	LZZG2103	Orthopedics diseases	Pilot trial stage	Approved for market launch	A traditional Chinese medicine preparation which can enrich the Company's product pipeline in the field of geriatric diseases

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF PRINCIPAL BUSINESSES (continued)

7. Investment in R&D (continued)

Number	Name of major R & D projects	Project purpose (Indications)	Project progress	Objectives to be achieved	Expected impact on the future development of the Company
32	LZZG2105	Respiratory system diseases	Pilot trial stage	Approved for market launch	A traditional Chinese medicine preparation which can enrich the Company's product pipeline in the field of pediatrics
33	LZZG2104	Respiratory system diseases	Pilot trial stage	Approved for market launch	A traditional Chinese medicine preparation which can enrich the Company's product pipeline in the field of geriatric diseases
34	LZZG2106	Cardiovascular diseases	Pilot trial stage	Approved for market launch	A traditional Chinese medicine preparation which can enrich the Company's product pipeline in the cardiovascular field
35	LZZN1801	Vascular vertigo	Pre-clinical study	Progress follow-up work as planned	A traditional Chinese medicine preparation which can enrich the Company's product pipeline in the cardiovascular field
36	LZZN2201	Generalized anxiety disorder	Pre-clinical study	Progress follow-up work as planned	A traditional Chinese medicine preparation which can enrich the Company's product pipeline in the psychiatry field

IV. ANALYSIS OF NON-PRINCIPAL BUSINESSES

✓ Applicable Not Applicable

Unit: RMB

Item	Amount	As a percentage of total profit	Reason for occurrence	Sustainability
Investment income	15,574,609.82	0.97%	Mainly due to changes in profit and loss from investments in associate.	No
Gains or losses arising from changes in fair value	-18,391,559.98	-1.14%	Mainly due to fluctuations in the market value of subject securities investment held and changes in forward foreign exchange contracts.	No
Asset impairment	-29,139,720.53	-1.81%	Mainly due to provision for diminution in value of inventories.	No
Non-operating income	3,520,232.49	0.22%	Mainly due to income from disposal of scraps.	No
Non-operating expenditure	7,401,195.04	-0.46%	Mainly due to donation expenditure.	No
Other income	57,967,829.74	3.60%	Mainly due to government subsidies received.	Yes

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION

1. Material changes in composition of assets

Unit: RMB

Item	End of the Reporting Period		End of the Previous Year		Change in proportion	Reason for material changes
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Monetary funds	11,498,335,118.94	44.96%	11,325,723,855.76	45.22%	-0.26%	No material changes
Accounts receivables	2,347,781,619.79	9.18%	2,115,658,645.12	8.45%	0.73%	No material changes
Contract assets	-	-	-	-	-	-
Inventories	1,973,603,406.40	7.72%	2,060,651,179.94	8.23%	-0.51%	No material changes
Investment properties	10,346,295.85	0.04%	10,766,737.57	0.04%	0.00%	No material changes
Long-term equity investments	1,062,137,907.56	4.15%	1,031,259,800.84	4.12%	0.03%	No material changes
Fixed assets	4,185,968,920.76	16.37%	4,294,232,468.83	17.15%	-0.78%	No material changes
Construction in progress	373,681,152.78	1.46%	289,306,707.05	1.16%	0.30%	No material changes
Right-of-use assets	21,060,949.87	0.08%	20,908,112.56	0.08%	0.00%	No material changes
Short-term loans	1,850,000,000.00	7.23%	1,860,009,625.00	7.43%	-0.20%	No material changes
Contract liabilities	86,732,463.84	0.34%	137,998,394.09	0.55%	-0.21%	No material changes
Long-term loans	714,281,707.70	2.79%	1,612,773,278.99	6.44%	-3.65%	No material changes
Leasing liabilities	7,774,003.30	0.03%	9,030,622.57	0.04%	-0.01%	No material changes

2. Major foreign assets

Applicable Not Applicable

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(continued)*

3. Assets and liabilities measured at fair value

Applicable Not Applicable

Unit: RMB

Item	At the Beginning of the Period	Gains or losses arising from changes in fair value for the Period	Accumulated change in fair value in equity	Impairment provision for the Period	Amount purchased during the Period	Amount sold during the Period	At the End of the Period
Financial assets							
1. Financial assets held for trading (excluding derivative financial assets)	79,176,104.95	-11,235,679.16	-	-	-	-	67,940,425.79
2. Derivative financial assets	2,615,976.27	-2,614,827.90	-	-	-	-	1,148.37
3. Other debt investments	-	-	-	-	-	-	-
4. Other equity instrument investments	638,843,775.68	-	-18,112,385.67	-	-	3,195,885.26	617,535,504.75
5. Other non-current financial assets	-	-	-	-	-	-	-
Subtotal of financial assets	720,635,856.90	-13,850,507.06	-18,112,385.67	-	-	3,195,885.26	685,477,078.91
Investment properties	-	-	-	-	-	-	-
Productive biological assets	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Total	720,635,856.90	-13,850,507.06	-18,112,385.67	-	-	3,195,885.26	685,477,078.91
Financial liabilities	86,817.12	-4,541,052.92	-	-	-	-	4,627,870.04

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

Yes No

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

Applicable Not Applicable

The forty-sixth meeting of the tenth session of the Board of the Company considered and approved the "Resolution on Conducting Bills Pooling Business", pursuant to which it was agreed that the Company and its subsidiaries should share the cap for the bills pooling business amount of no more than RMB1,800 million. The cap may be used on revolving basis. As at the End of the Reporting Period, the balance of bills receivable pledged to the banks applied by the Group was RMB296.0906 million. The balance of the actual deposits paid by the Company and its subsidiaries for the businesses such as letters of guarantee was RMB9.3858 million.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(continued)*

5. Material changes in consolidated balance sheet items

Item	30 June 2024	31 December 2023	<i>Unit: RMB</i> Change
Other receivables	53,159,500.59	32,008,338.25	66.08% ⁽¹⁾
Other non-current assets	438,317,797.52	171,595,133.87	155.44% ⁽²⁾
Financial assets held for trading	4,627,870.04	86,817.12	5,230.60% ⁽³⁾
Contract liabilities	86,732,463.84	137,998,394.09	-37.15% ⁽⁴⁾
Non-current assets due within one year	1,466,456,736.08	659,679,477.31	122.30% ⁽⁵⁾
Other current liabilities	11,414,619.39	49,778,126.82	-77.07% ⁽⁶⁾
Long-term loans	714,281,707.70	1,612,773,278.99	-55.71% ⁽⁷⁾
Treasury shares	73,447,558.49	–	100.00% ⁽⁸⁾

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

- (1) Mainly due to the increase in the export tax refund receivable during the Period.
- (2) Mainly due to new cash management business.
- (3) Mainly due to fair value changes in forward foreign exchange contracts.
- (4) Mainly due to the fact that part of the contract payments received in advance fulfilled the conditions for revenue recognition and were transferred to revenue during the Period.
- (5) Mainly due to the transfer of long-term borrowings due within one year.
- (6) Mainly due to the decrease in expected refunds payable.
- (7) Mainly due to the transfer of long-term borrowings due within one year to non-current liabilities due within one year.
- (8) Mainly due to the additional repurchase of the Company's A shares during the Period.

Asset-liability ratio

The asset-liability ratios of the Group as at 30 June 2024 and 31 December 2023 were 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 41.04% as at 31 December 2023 to 42.89% as at 30 June 2024.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(continued)*

6. Material changes in consolidated income statement items

Item	<i>Unit: RMB</i>		
	Amount for the Period	Amount for the Previous Period	Period-to-period change
Finance expenses	-77,592,397.16	-41,452,588.54	-87.18% ⁽¹⁾
Other income	57,967,829.74	103,891,550.66	-44.20% ⁽²⁾
Investment income	15,574,609.82	49,130,943.63	-68.30% ⁽³⁾
Gains arising from changes in fair value	-18,391,559.98	-32,451,991.75	43.33% ⁽⁴⁾
Credit impairment loss	-3,212,261.28	-22,790,539.52	85.91% ⁽⁵⁾
Gains from disposal of assets	-76,440.36	-328,226.00	76.71% ⁽⁶⁾
Non-operating income	3,520,232.49	1,064,534.55	230.68% ⁽⁷⁾
Profit and loss attributable to minority interests	183,728,250.79	39,500,494.95	365.13% ⁽⁸⁾
Other comprehensive net income after taxation	-8,408,273.70	2,705,127.80	-410.83% ⁽⁹⁾

Reasons for period-to-period change of over 30% in the relevant data:

- (1) Mainly due to the increase in interest income from deposits during the Period compared to the Previous Period.
- (2) Mainly due to the decrease in government grants received during the Period compared to the Previous Period.
- (3) Mainly due to changes in profit and loss from investments in associates.
- (4) Mainly due to fair value changes in forward foreign exchange contracts.
- (5) Mainly due to changes in aging of accounts receivables.
- (6) Mainly due to the decrease in losses incurred from disposal of fixed assets during the Period compared to the Previous Period
- (7) Mainly due to the increase in income from disposal of scraps.
- (8) Mainly due to the increase in the operating profit of non-wholly owned subsidiaries during the Period compared to the Previous Period
- (9) Mainly due to changes in the fair value of other equity instrument investments and fluctuations in exchange rates which led to changes in translation differences in foreign currency statements.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(continued)*

7. Material changes in consolidated cash flow items

Item	Amount for the Period	Amount for the Previous Period	<i>Unit: RMB</i> Period-to-period change
Net cash flow from investment activities	-223,171,702.31	-437,099,017.89	48.94% ⁽¹⁾
Net cash flow from financing activities	-805,738,985.90	-409,891,439.18	-96.57% ⁽²⁾
Effect of changes in foreign exchange rates on cash and cash equivalents	2,871,040.49	31,975,661.27	-91.02% ⁽³⁾

Reasons for period-to-period change of over 30% in the relevant data:

- (1) Mainly due to the decrease in fixed assets investment during the Period.
- (2) Mainly due to the increase in repayment of loans.
- (3) Mainly due to changes in foreign exchange rates resulting in a decrease in exchange gains from foreign currency funds held.

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 Reporting Period

Applicable Not Applicable

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(continued)*

8. Liquidity and financial resources

As at 30 June 2024, the Group's monetary funds amounted to RMB11,498.34 million (31 December 2023: RMB11,325.72 million), which arose primarily from operating income of the Company, which was used primarily for daily operation and investment activities of the Company as well as distribution of dividends.

Financial policy and objectives: The Group has a comprehensive and prudent financial management system in place with the objectives to ensure the security of corporate funds, provide support for production operation and business development, reasonably increase the use rate of the Group's funds and realize the preservation and appreciation of funds.

During the Reporting Period, the credit facilities that may be applied for with approval from the Board and the general meeting of the Company amounted to RMB26,705.00 million and the actual amount of credit applied to the banks for use amounted to RMB4,847.21 million.

Unit: RMB

Item	End of the Period (30 June 2024)			End of the Previous Year (31 December 2023)		
	Amount in foreign currency	Translation rate	Amount in RMB	Amount in foreign currency	Translation rate	Amount in RMB
Cash on hand:			190,535.71			143,780.93
–RMB			190,268.55			143,506.88
–USD		7.1268			7.0827	
–EUR	34.87	7.6617	267.16	34.87	7.8592	274.05
Bank deposits:			11,357,179,094.24			11,215,951,981.42
–RMB			9,979,448,838.31			10,192,476,063.80
–HKD	231,762,164.01	0.91268	211,524,691.85	12,964,172.53	0.90622	11,748,392.44
–USD	162,661,131.74	7.1268	1,159,253,353.69	141,933,328.55	7.0827	1,005,271,186.14
–Japanese Yen	12,098,247.00	0.044738	541,251.37	3,551,792.00	0.050213	178,346.13
–EUR	92,651.10	7.6617	709,864.93	92,651.09	7.8592	728,163.45
–MOP	6,429,433.03	0.8857	5,694,548.83	6,263,135.03	0.8837	5,534,732.43
–MYR	4,336.10	1.50948	6,545.26	9,793.47	1.54154	15,097.03
Accrued interest on deposits			8,591,339.42			44,391,492.44
Other monetary funds:			140,965,488.99			109,628,093.41
RMB			30,266,082.91			2,004,030.03
HKD	4,997,704.45	0.91268	4,561,304.90	4,980,853.40	0.90622	4,513,748.97
USD	14,892,813.21	7.1268	106,138,101.18	14,558,051.93	7.0827	103,110,314.41
Total			11,498,335,118.94			11,325,723,855.76

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(continued)*

8. Liquidity and financial resources *(continued)*

As at 30 June 2024, the balance of the Group's borrowings amounted to RMB4,016.80 million (31 December 2023: RMB4,120.26 million), accounting for 15.71% of total assets (31 December 2023: 16.45%), of which the balance of short-term loans due within one year amounted to RMB1,850.00 million (31 December 2023: RMB1,860.01 million), accounting for 7.23% of the total assets (31 December 2023: 7.43%) and the balance of long-term loans due over one year amounted to RMB714.28 million (31 December 2023: RMB1,612.77 million), accounting for 2.79% of the total assets (31 December 2023: 6.44%). The balance of long-term borrowings due within one year amounted to RMB1,452.52 million (31 December 2023: RMB647.48 million), accounting for 5.68% of total assets (31 December 2023: 2.59%). During the Reporting Period, the Group's repayment of bank borrowings amounted to RMB2,087.55 million. There was no distinct seasonal demand for each of the above borrowings.

9. Capital structure

The Group's capital comprises Shareholders' equity and liabilities. As at 30 June 2024, Shareholders' equity amounted to RMB14,607.40 million, total liabilities amounted to RMB10,968.56 million and total assets amounted to RMB25,575.96 million. In particular, the Group's current liabilities amounted to RMB9,697.27 million (31 December 2023: RMB8,087.14 million), representing an increase of 19.91% as compared with that at the End of the Previous Year; total non-current liabilities amounted to RMB1,271.29 million (31 December 2023: RMB2,190.99 million), representing a decrease of 41.98% as compared with that at the End of the Previous Year. During the Reporting Period, repayment of debt amounted to RMB2,087.55 million (repayment of debt in the Previous Period was RMB1,212.27 million).

As at the End of the Reporting Period, equity attributable to Shareholders of the Company amounted to RMB13,919.89 million (31 December 2023: RMB14,042.50 million), representing a decrease of 0.87% as compared with that at the End of the Previous Year. Minority interests amounted to RMB687.51 million (31 December 2023: RMB724.21 million), representing a decrease of 5.07% as compared with that at the End of the Previous Year.

10. Capital commitments

	Balance at the End of the Period	<i>Unit: RMB</i> Balance at the Beginning of the Period
Capital commitments contracted but not recognized in the financial statements		
Commitments for purchase and construction of long-term assets	251,314,427.49	395,307,398.73
Commitments for external investment	8,000,000.00	8,000,000.00
Commitments for R&D	292,158,271.34	306,619,716.31
Total	551,472,698.83	709,927,115.04

11. Interest rate

As at 30 June 2024, the aggregate interest-bearing bank and other borrowings amounted to RMB4,014.22 million (31 December 2023: RMB4,117.42 million). The interest rate structure: RMB1,860.26 million bore interest at a floating interest rate and RMB2,153.96 million bore interest at a fixed annual interest rate of 2.35%.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(continued)*

12. Maturity analysis of outstanding liabilities

	30 June 2024	31 December 2023
Within one year	4,386.17	3,402.07
1-2 years	557.46	1,146.85
2-5 years	156.82	465.92
Over 5 years	–	–
Total	5,100.45	5,014.84

Unit: RMB in millions

13. Gearing ratio

The gearing ratios as at 30 June 2024 and 31 December 2023 were calculated by dividing total liabilities by Shareholders' equity of the Group as at the respective dates. The gearing ratio of the Group increased from 29.58% as at 31 December 2023 to 34.92% as at 30 June 2024.

14. Interest expenses and capitalisation

	Period	Previous Period
Interest expenses ^(Note)	46,250,017.10	48,692,655.31
Capitalised interest	–	–
Total interest expenses	46,250,017.10	48,692,655.31

Unit: RMB

Note: Interest expenses are mainly due to bank borrowings.

15. Foreign exchange risks

Details of foreign exchange risks of the Group are set out in "Note IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS" to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises as set out in the Report. As RMB is the major functional currency of the Company, in case of sales, purchases and investment/financing businesses which are not settled in RMB, corresponding foreign exchange exposures may arise. 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", which requires a certain hedging ratio, to minimize the impact arising from fluctuations of exchange rates on the business of the Company by monitoring and controlling its foreign exchange risks through the use of foreign exchange financial derivatives.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(continued)*

16. Contingent liabilities

As at 30 June 2024, the Group had no significant contingent liabilities.

17. Pledge of assets

As at 30 June 2024, the assets of the Company subject to pledge were as follows:

	30 June 2024 (RMB)	Reason for being subject to restriction
Assets pledged:		
Bills receivable	296,090,616.97	Pledged bills receivable for the bill pool business
Monetary funds	9,385,768.41	Deposits for letters of guarantee and other businesses
Total	305,476,385.38	

Note: On 30 March 2023, the forty-sixth meeting of the tenth 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 RMB1,800 million for conducting bills pooling business would be shared by the Company and its subsidiaries, such amount may be utilized on rolling basis. As at 30 June 2024, the amount of bills receivable pledged by the Group to the banks amounted to RMB296.0906 million.

18. Employees, remuneration, pension scheme and training

As at 30 June 2024, the Group had 8,920 (31 December 2023: 8,933) employees. The remuneration of the employees was determined by the Group mainly according to the laws and regulations of the PRC, the Company's economic performance and by reference to remuneration level in the market. During the Reporting Period, total wages, bonuses, allowances, compensation, welfare, housing funds and social insurance paid to the employees by the Group amounted to RMB948.24 million (Payment in the Previous Period was RMB859.95 million).

During the Reporting Period, there was no change in the Group's employee remuneration policy. The employees of the Group participated in the social basic pension insurance scheme organised 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. 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.

During the Reporting Period, in order to accurately identify, select, and train internal outstanding talents, the Group gradually optimized the talent development system. In order to ensure the stable development of the talent echelon, the Group rationalized selection, promotion, and inspection of personnel. In order to help employees grow in all aspects, in addition to the Group's annual training plan, the Group reviewed the implementation of the personal growth plans formulated with employees in the previous year. The Group successfully nominated outstanding employees to join the Zhuhai City National Craftsman Sharing and Exchange Report Group, completing the review work for more than 10 Zhuhai craftsmen.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(continued)*

18. Employees, remuneration, pension scheme and training *(continued)*

During the Reporting Period, the Group's training was carried out in various forms such as online, offline and outward bound, with the aim of enhancing employee interaction, while focusing on the evaluation of training effects, and carrying forward the corporate culture spirit of "Happy Life, Happy Work". During the Reporting Period, the Group carried out training activities such as business ethics and anti-corruption, employee development plans, data security and privacy protection, responsible marketing, etc., with over 96% of average employee engagement and satisfaction. The Group has conducted two special training programs: (1) special training for fresh graduates, with a pass rate of 100% after examination; (2) completion of the Youth Class project, with 29 people successfully graduating and a completion rate of 78.4%, 10 people were promoted after the training, and 12 people were rated as excellent in the 2023 annual performance evaluation. In order to actively respond to the call of Zhuhai Municipal Government, implement the decision-making and deployment of the Zhuhai Municipal Committee of the CPC and Municipal Government on the policy of "Industry First", promote the "Employment, Housing, and Home" plan, and further strengthen the construction of urban industrial talent team in Zhuhai, the Company organized employees in Zhuhai to participate in the business training "Walk for Millions" carried out by the Zhuhai Municipal Government and provided course support for Zhuhai. In addition, the Company conducted training at the Zhuhai Cross-Demonstration Enterprise Training Center to help colleagues of each type of work improve their skills and promote the craftsmanship spirit. Meanwhile, the Group shared relevant government subsidies with employees, and the part of the aforementioned funds was used for professional skills learning, training, and qualification examinations of employees. To fully reflect the importance placed on talents, the Group completed 2 training system upgrades in the first half of 2024, supporting the Group's talent development work which involved more than 1,000 employees. The Group adhered to actively providing employees with a comprehensive, complete, and compliant learning platform, further enhancing employees' professional quality and capabilities, creating a good learning environment, cultivating their craftsmanship spirit, and shaping the company's positive image.

19. Significant Investments

During the Reporting Period, 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 2023 Annual Report of the Company.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF INVESTMENT

1. Overall particulars

Applicable Not Applicable

Amount of investment for the Reporting Period (RMB)	Amount of investment for the Same Period Last Year (RMB)	Period-to-period change
1,001,411,700.00	727,085,150.00	37.73%

2. Material equity investments during the Reporting Period

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 in the Period	Litigation involved	Disclosure date (if any)	Disclosure index (if any)
LivzonBio, Inc.* (珠海市麗珠生物醫藥科技有限公司)	Research and development, production and sales of pharmaceutical products; Development of medical technology, technology services, technology transfer, technology consultation	Capital Contribution	1,000,000,000.00	60.23%	Self-owned funds	Joicare	Long-term	N/A	Completed capital contribution of RMB0.16 billion	-	-106,335,367.68	No	See note for details	See note for details
Total	-	-	1,000,000,000.00	-	-	-	-	-	-	-	-106,335,367.68	-	-	-

Note: For details, please refer to the Announcement on Capital Contribution to LivzonBio, the Controlling Subsidiary, and the Connected Transaction (Announcement No.: 2023-100) dated on 18 November 2023 of the Company on Cninfo.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF INVESTMENT (continued)

3. Ongoing material non-equity investments during the Reporting Period

Applicable Not Applicable

4. Investment in financial assets

(1) Investment in securities

Applicable Not Applicable

Unit: RMB

Types of securities	Securities code	Securities abbreviation	Initial investment cost	Accounting measurement	Gains or losses			Amount of Purchase during the Period	Amount of Disposal during the Period	Profit or loss for the Period	Carrying amount at the End of the Period	Accounting item	Sources of fund
					Carrying amount at the Beginning of the Period	changes in fair value for the Period	Acc- umulated change in fair value included in equity						
Share	00135	Kunlun Energy	4,243,647.64	Measured at fair value	6,379,788.80	1,012,919.20	-	-	-	1,012,919.20	7,392,708.00	Financial assets held for trading	Self-owned funds
Fund	206001	Penghua Fund	150,000.00	Measured at fair value	937,588.47	41,271.91	-	-	-	41,271.91	978,860.38		
Share	000963	Huadong Medicine	39,851.86	Measured at fair value	13,665,713.52	-4,499,203.80	-	-	-	-4,308,028.84	9,166,509.72		
Share	BEAM(US)	Beam Therapeutics, Inc.	31,117,151.47	Measured at fair value	58,193,014.16	-7,790,666.47	-	-	-	-7,790,666.47	50,402,347.69		
Share	ELTX(US)	Elicio Therapeutics, Inc.	35,363,302.05	Measured at fair value	7,820,060.93	-3,942,294.43	-	-	-	-3,877,766.50		Investment in other equity instruments	
Share	CARM(US)	Carisma Therapeutics, Inc.	38,807,266.00	Measured at fair value	14,907,045.58	-7,125,546.10	-	-	-	-7,781,499.48			
Share	LLAI(LME)	LungLife AI, Inc.	58,837,745.24	Measured at fair value	5,604,762.15	-3,654,870.00	-	-	-	-1,949,892.15			
Share	02480	Luzhu Biotech-B	30,000,000.00	Measured at fair value	63,219,286.50	-16,493,002.05	-	-	-	-46,726,284.45			
Other securities investment held at the End of the Period			-	-	-	-	-	-	-	-	-	-	-
Total			198,558,964.26	-	170,727,260.11	-11,235,679.16	-31,215,712.58	-	-	-11,044,504.20	128,275,868.37	-	-

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' meeting (if any) Not applicable

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF INVESTMENT *(continued)*

4. Investment in financial assets *(continued)*

(2) Information on investment in derivatives

✓ Applicable Not Applicable

Unit: RMB0'000

Name of the operator of derivative investment	Connected relationship	Connected Transaction	Type of derivative investment	Initial investment amount of derivative 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)	369.88	2023/7/6	2024/1/16	366.88	-	368.47	-	-	-	-	-5.09
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	1,495.90	2023/8/1	2024/1/30	1,474.14	-	1,481.17	-	-	-	-	10.07
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	6,108.84	2023/9/5	2024/3/14	6,027.44	-	6,048.01	-	-	-	-	84.58
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	4,263.74	2023/10/9	2024/4/8	4,650.81	-	4,218.43	-	-	-	-	69.00
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	6,824.47	2023/11/2	2024/5/6	6,760.02	-	6,775.88	-	-	-	-	30.79
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	8,875.32	2023/12/6	2024/6/20	8,852.21	-	8,873.70	-	-	-	-	-39.69
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	9,078.70	2024/1/3	2024/7/2	-	9,078.70	8,730.54	-	346.88	0.02%	-	-11.66
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	8,031.58	2024/2/4	2024/8/20	-	8,031.58	6,140.72	-	1,901.60	0.14%	-	12.15
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	12,662.96	2024/3/5	2024/9/11	-	12,662.96	5,845.30	-	6,881.70	0.49%	-	20.52
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	11,581.36	2024/4/1	2024/10/14	-	11,581.36	2,566.93	-	9,051.77	0.65%	-	30.26
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	9,178.83	2024/5/8	2024/11/11	-	9,178.83	410.59	-	8,825.46	0.63%	-	4.13
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	9,449.33	2024/6/7	2024/12/23	-	9,449.33	-	-	9,457.47	0.68%	-	-
Total				87,920.91	-	-	28,131.50	59,982.76	51,459.74	-	36,464.88	2.61%	-	205.05

Source of funds for investment in derivatives

Litigation involved (if applicable)

Disclosure date of the announcement in relation to the approval of investment in derivatives by the Board (if any)

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

Self-financing

Not applicable

29 March 2024

Not applicable

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF INVESTMENT (continued)

4. Investment in financial assets (continued)

(2) Information on investment in derivatives (continued)

Unit: RMB0'000

Percentage
of
investment
amount at
the End of
the Period
to the
net assets

Name of the operator of derivative investment	Connected relationship	Connected Transaction	Type of derivative investment	Initial investment amount of derivative 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	Investment Impairment provision (if any)	Investment amount at the End of the Period	Company	Actual gains or losses during the Period		
							the Period	the Period	the Period	the Period	at the End of the Period	at the End of the Period	the Period		
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 of exchange rate fluctuations on 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 lock 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, improper operation, system failure and other factors. Control measures: the Company has formulated the corresponding management measures, clearly defined the responsibilities of all parties, improved the review and approval process and established 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.								
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)							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, improper operation, system failure and other factors. Control measures: the Company has formulated the corresponding management system, clearly defined the division of responsibilities and approval process, and established 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.						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-7.1559 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 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.								

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF INVESTMENT *(continued)*

5. Use of proceeds

✓ Applicable Not Applicable

(1) Overall use of proceeds

✓ Applicable Not Applicable

Unit: RMB0'000

Year of financing	Method of financing	Total amount of proceeds	Total amount of proceeds used during the Period	Total amount of proceeds used	Total with change during the Reporting Period	Total amount of proceeds with change in use	Percentage of total accumulated 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	62.85	139,610.23	-	68,735.86	48.40%	2,419.81	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, which is expected to be used by December 2024.	-

Note: Brokerage commissions, sponsorship fees and other related expenses have been excluded from the total amount of proceeds; while 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 microsphere 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 30 June 2024, unused proceeds were still deposited in the special account for proceeds, and will continue to be used in projects invested with proceeds, which are expected to be used by December 2024.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. 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)	Invested amount during the Reporting Period	Cumulative invested amount as at the End of the Period (2)	Progress of investment as at the End of the Period (3) = (2)/(1)	Date when the project is ready for intended use	Benefits realized during the Reporting Period	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	62.85	27,300.11	92.35%	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	2,415.79	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	-	41,084.14	98.86%	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	62.85	139,610.24	-	-	2,415.79	-	-
Use of over-raised proceeds	N/A									
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	62.85	139,610.24	-	-	2,415.79	-	-

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. 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 Reporting Period	Cumulative invested amount as at the End of the Period (2)	Progress of investment as at the End of the Period (3) = (2)/(1)	Date when the project is ready for intended use	Benefits realized during the Reporting Period	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 project)	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): 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 (2020-2024) are expected to be RMB101.9240 million, RMB46.6760 million, RMB19.0000 million, RMB20.0000 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 Certain Projects Invested with Proceeds (《關於調整部分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 (2021-2024) are expected to be RMB119.9240 million, RMB54.6760 million, RMB16.0000 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 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		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 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. The construction of the chemical drug lyophilized powder injection workshop was completed and put into use in June 2022.								

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF INVESTMENT (continued)

5. Use of proceeds (continued)

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

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	Invested amount during the Reporting Period	Cumulative invested amount as at the End of the Period (2)	Progress of investment as at the End of the Period (3) = (2)/(1)	Date when the project is ready for intended use	Benefits realized during the Reporting Period	Expected benefit realized	Material change in feasibility of the project
Adjustment to implementation method for projects invested with proceeds	1.									
	1. Addition of an implementing entity of the project invested with proceeds									
	On 23 December 2016, the Resolution on the Addition of Implementing Entity to the Project Invested with Proceeds of the Company (《關於公司募集資金投資項目增加實施主體的議案》) was considered and approved at the 2016 third extraordinary general meeting of the Company, pursuant to which it was agreed that Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), a wholly-owned subsidiary of the Company, would be added as an implementing entity of the "Project for in-depth development and industrialization upgrade of innovative lloprasole series (艾普拉唑系列創新產品深度開發及產業化升級項目)". On 19 September 2017, the Resolution on Alteration to the Projects Invested with Proceeds from the Non-public Issuance of A Shares (《關於變更非公開發行A股募集資金投資項目的議案》) was considered and approved at the 2017 first extraordinary general meeting of the Company, pursuant to which it was agreed that the following adjustments would be made 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)": ① change the original sub-project of "Renovation Project of Pilot Workshop (中試車間裝修項目)" 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 additionally include Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠) as one of the implementing entities; and ② terminate 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))". The abovementioned addition of an implementing entity to the project invested with proceeds will not lead to changes in the direction of investment of the Company's proceeds, nor affect the normal implementation of projects invested with proceeds, or have an adverse impact on the financial position of the Company.									
2.										
	2. Alteration to implementing entities of projects invested with proceeds									
	On 25 August 2020, 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》) was considered and approved at the third meeting of the tenth session of the Board of the Company, pursuant to which it was agreed that the Company would inject the productive assets and capital in the area of prolonged sustained-release microsphere preparation into 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, by way of capital increase. And the implementing entities 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)" would be changed from the Company and Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠) to the Company and Microsphere Technology. The abovementioned alteration to implementing entity of the project invested with proceeds will not affect the overall implementation of the project invested with proceeds.									
3.										
	3. Adjustment to 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)"									
	On 30 May 2019, 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變更募集資金投資項目的議案》) was considered and approved at the 2018 annual general meeting of the Company, pursuant to which it was agreed that alteration would be made to 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)", and no proceeds would be invested in this project, and its remaining balance of proceeds RMB30.3858 million would be adjusted to be used 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, a total amount of RMB194.3191 million of proceeds was intended to be invested into 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 self-raised funds of the Company. The abovementioned adjustment to the investment amount of sub-project under project invested with proceeds will not affect the overall implementation of the project invested with proceeds.									

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. 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 Reporting Period	Cumulative invested amount as at the End of the Period (2)	Progress of investment as at the End of the Period (3) = (2)/(1)	Date when the project is ready for intended use	Benefits realized during the Reporting Period	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 RMB102.6000 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)".									
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

VI. 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			Date when project is ready for intended use	Benefits realized during the Reporting Period	Expected benefit realized	Material change in feasibility of the project after change
			Actual investment amount for the Reporting Period	accumulated investment amount as at the End of the Period (2)	Investment progress as at the End of the Period (3)=(2)/(1)				
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))	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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. 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 for the Reporting Period	Actual accumulated investment amount as at the End of the Period (2)	Investment progress as at the End of the Period (3)=(2)/(1)	Date when project is ready for intended use	Benefits realized during the Reporting Period	Expected benefit realized	Material change in feasibility of the project after change
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	2,415.79	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	-	41,084.14	99.86%	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	62.85	27,300.11	92.35%	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	62.85	139,610.24	-	-	2,415.79	-	-

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. 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			Benefits realized during the Reporting Period	Expected benefit realized	Material change in feasibility of the project after change	
			Actual investment amount for the Reporting Period	accumulated investment amount as of the End of the Period (2)	Investment progress as at the End of the Period (3)=(2)/(1)				
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

VI. 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			Benefits realized during the Reporting Period	Expected benefit realized	Material change in feasibility of the project after change
			Actual investment amount for the Reporting Period	accumulated investment amount as of the End of the Period (2)	Investment progress as at the End of the Period (3)=(2)/(1)			

- 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).

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. 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				Benefits realized during the Reporting Period	Expected benefit realized	Material change in feasibility of the project after change
			Actual investment amount for the Reporting Period	accumulated investment amount as of the End of the Period (2)	Investment progress as at the End of the Period (3)=(2)/(1)	Date when project is ready for intended use			
			<p>3. 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): According to the actual implementation conditions of the clinical studies post-launch and industrialization development and technological reform of the products of two sub-projects of "Ilaprazole tablet (艾普拉唑片)" and "Ilaprazole Sodium for injection (注射用艾普拉唑鈉)", since Ilaprazole 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 Ilaprazole Sodium for injection (注射用艾普拉唑鈉), and considering the suspension of R&D for 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) 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 "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 RMB102.6000 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 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 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 Ilaprazole 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 Ilaprazole 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).</p>						

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. 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				Date when project is ready for intended use	Benefits realized during the Reporting Period	Expected benefit realized	Material change in feasibility of the project after change
			Actual investment amount for the Reporting Period	accumulated investment amount at the End of the Period (2)	Investment progress as at the End of the Period (3)=(2)/(1)	Investment progress as at the End of the Period (3)=(2)/(1)				
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 llaprazole 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 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 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 llaprazole 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, RMB16.0000 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

VII. DISPOSAL OF MATERIAL ASSETS AND EQUITY

1. Disposal of material assets

Applicable Not Applicable

2. Disposal of material equity

Applicable Not Applicable

VIII. ANALYSIS OF MAJOR CONTROLLED AND INVESTED COMPANIES

1. Major subsidiaries and invested companies which contributed more than 10% of net profit of the Company

Applicable Not Applicable

Unit: RMB

Company name	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, microecological preparations, biological products etc.	450,000,000.00	4,793,981,811.97	3,421,273,310.22	1,696,102,390.31	627,134,522.64	551,991,979.85
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 proprietary Chinese medicine, major products include Antiviral Granules, Stomatitis Granules, etc.	149,000,000.00	1,879,297,163.64	1,282,998,407.24	193,078,100.64	24,311,245.84	17,187,829.23
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, Xueshuantong, etc.	61,561,014.73	1,189,801,325.84	519,377,792.40	301,037,726.29	157,401,407.27	132,235,544.24
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 Menotrophin and Chorionic Gonadotropin.	87,328,900.00	1,849,540,588.94	1,012,842,353.18	1,132,014,337.67	453,303,681.64	386,344,195.48
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	2,302,663,128.94	847,569,754.60	835,800,297.47	211,109,915.47	177,023,972.76

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

1. Major subsidiaries and invested companies which contributed more than 10% of net profit of the Company *(continued)*

Unit: RMB

Company name	Type of company	Principal business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
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	4,295,250,510.11	2,267,754,900.50	1,212,645,120.04	406,078,041.84	293,088,349.30
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.	USD 41,700,000	1,878,941,508.46	1,026,127,798.62	583,563,461.41	267,546,510.42	227,962,100.86
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.	400,000,000.00	1,163,493,052.43	839,190,639.17	397,935,694.42	95,891,601.92	85,117,313.80
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.	1,459,072,964.46	696,189,630.23	-1,508,473,236.24	26,109,614.47	-187,297,348.27	-187,458,820.05

Note: The data of Xinbeijiang Pharma includes its subsidiaries, namely 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 biologics R&D enterprise of the Group. Its loss is mainly due to investment in R&D.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

2. Subsidiaries acquired and disposed of during the Reporting Period

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
LIAN International Holding LTD.	New establishment	No material impact
LIAN SGP HOLDING PTE. LTD.	New establishment	No material impact
Zhuhai Liye Biotechnology Co., Ltd. (珠海市麗業生物技術有限公司)	Deregistration	No material impact

3. Description of major controlled and invested company

Applicable Not Applicable

IX. STRUCTURAL BODY CONTROLLED BY THE COMPANY

Applicable Not Applicable

X. 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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XI. OTHER SIGNIFICANT EVENTS

Save as disclosed herein, the Company had no significant investment, material acquisition or disposal involving any subsidiary, associated company or joint-venture company, nor other significant event which is required to be disclosed during the Reporting Period, nor did the Group have any other future plans on material investments or capital assets.

XII. RISKS AND RESPONSE MEASURES

1. Risk of changes in industrial policies

As China still has been deepening reforms of the pharmaceutical and health systems, the relevant systems of policies and regulations are continuously amended and improved. For example, measures such as the enforcement and adjustment of the medical insurance catalogue, centralized bulk-buying for improve quality and expanding coverage, reform of medical insurance payment methods, new guiding principles for R&D and centralized rectification of the pharmaceutical industry 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 December 2023, the National Healthcare Security Administration issued the Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2023) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2023年)》) (the "Medical Insurance Catalogue"). In this adjustment, a total of 126 drugs were added to the Medical Insurance Catalogue while 1 drug was removed from the Medical Insurance Catalogue. 143 drugs outside the Medical Insurance Catalogue participated in the negotiation or bidding, among which, 121 drugs were negotiated or bid successfully. After this round of adjustment, the total number of medicines included in the Medical Insurance Catalogue reached 3,088, of which 1,698 were Western medicines, 1,390 were proprietary Chinese medicines and 892 were traditional Chinese medicine tablets. On 6 June 2024, the General Office of the State Council issued the "Key Tasks for Further Reform of the Medical and Healthcare System in 2024 (《深化醫藥衛生體制改革2024年重點工作任務》)" (Guobanfa [2024] No. 29). On 28 June 2024, the National Healthcare Security Administration announced the "Work Plan for the Adjustment to 2024 Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《2024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》)".

Response measures: For pharmaceutical companies, the inclusion of products in the medical insurance catalogue will further enhance the availability of medicines, facilitating rapid market coverage. At present, a total of 190 products of the Group are included in the Medical Insurance Catalogue, including 92 drugs in the class A list and 98 drugs in the class B list. After the adjustments to the Medical Insurance Catalogue in 2023, the Group's product Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) continued to be included into the negotiation catalogue. At present, the coverage of this product in hospitals with levels is still relatively low, and the new reimbursement scope of "prevention of stress-ulcer bleeding in critically ill patients" was added in this negotiation and the price reduction would benefit more patients. The Company will continue to expand the hospital coverage and product sales of this product, 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 addition, Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) was also included in the Medical Insurance Catalogue after negotiation in 2023. As a newly approved product, the product will be actively purchased and clinically applied by medical institutions after being included in the Medical Insurance Catalogue. In recent years, the adjustment work for the Medical Insurance Catalogue has been continuously improved and has entered the era of dynamic adjustment. The adjustment work for the national medical insurance drug catalogue for 2024 was officially started on 1 July, and the Company will actively promote related preparations. In addition, the Company will closely monitor changes in other industry policies, strengthen its ability to respond to environmental changes such as regulatory and industry policies, and actively respond, to further establish a sound compliance management system and system. Efforts will be made to promote the healthy and high-quality development of the Company through increasing R&D investment, enhancing R&D and innovation capabilities, improving product structure, and advancing internationalization processes.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XII. RISKS AND RESPONSE MEASURES *(continued)*

2. Risk of decline in the prices of products

Due to the fierce market competition, especially under the impact of many factors in various aspects, including medical insurance negotiations, tenders, centralized bulk-buying and other industry policies, the pharmaceutical enterprises face pressure of price decline. In March and November 2023, the proposed selection was concluded successively after the Eighth and Ninth Rounds of State-Organized Drug Centralized Procurement Products, the price of the proposed drugs reduced by 56% and 58% on average, respectively. In May 2024, the Office of the National Healthcare Security Administration issued the Notice on Strengthening Regional Coordination to Improve Quality and Expand Coverage of Pharmaceutical Centralized Procurement in 2024 (《關於加強區域協同做好2024年醫藥集中採購提質擴面的通知》), proposing to: (1) expand the scope of the alliance and form a national alliance for centralized procurement. (2) strengthen overall planning and coordination, and reasonably determine the types of procurement. (3) focus on key areas and actively promote the expansion of centralized procurement in 2024. (4) improve the implementation mechanism and enhance the effectiveness of the centralized procurement system. This will improve the centralized procurement system for pharmaceuticals from the above four aspects, promote the quality and expand coverage of centralized bulk-buying of drugs, and further enhance the capacity and scale of local procurement alliances. At the same time, price reduction was also reflected in the national medical insurance negotiations. The national medical insurance negotiations for 2023 were completed in November 2023. There was an average price reduction of 61.7% for the drugs newly admitted through negotiation and bidding. The adjustment work for to the national medical insurance drug catalogue for 2024 was officially started on 1 July.

Response measures: For volume-based procurement, the market share of non-selected drugs may be affected. The prices of selected drugs may drop significantly, 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. In addition, if an enterprise gains a certain amount of market share after being selected, it can also offset the impact of the price reduction, which 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. In 2023, the Company's products, Voriconazole for Injection (注射用伏立康唑) and Cefodizime Sodium for Injection (注射用頭孢地嗪鈉), had participated in the eighth round centralized procurement bidding and were successfully selected, the sales revenue of which accounted for 1.23% of the Company's total operating revenue in 2023. This price reduction for centralized procurement will not have a significant impact on the Company's operations. Moreover, the Company had no products participating in the ninth round of centralized procurement. In the long run, centralized bulk-buying will force pharmaceutical enterprises to transform and upgrade, continuously enhancing their innovation, and the competitive landscape of the industry is expected to improve. The Company will continuously optimize its product structure, keep focusing on innovation, and pay special attention to innovative drug projects with longer patent protection periods. Meanwhile, reassessment of key drugs after their market launch and consistency evaluation of the relevant drugs will be promoted actively. For the negotiation of medical insurance, the Company will continue to follow up the relevant national policies in real time, and strengthen the clinical and pharmaco-economic research of its products in the post-launch stage, to actively respond to the future adjustments to the medical insurance catalogue.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XII. RISKS AND RESPONSE MEASURES *(continued)*

3. Risk of R&D for new drugs

In general, pharmaceutical products are required to go through many processes and stages from R&D to market launch, including R&D for drug candidates, pre-clinical research, application and approval for clinical trials, clinical trials, application and approval for registration and market launch, 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 failure exists. Furthermore, 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. 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 and approval, in particular registration for innovative drugs. On 25 August 2023, the National Medical Products Administration issued the Procedures for the Evaluation and Approval of the Listing Application for Conditional Approval of Drugs (Trial) (Revision for Comments) (《藥品附條件批准上市申請審評審批工作程序(試行)(修訂稿徵求意見稿)》) (the "Revision for Comments"), which mainly further refines and improves relevant regulations regarding the conditions and requirements of application for conditional market launch approval, requirements for post-launch research work, procedures of approval for changing to routine drug, and strengthening post-launch supervision, which helped to accelerate the market launch of clinically urgent drugs with significant clinical value. On 4 February 2024, according to the "2023 Annual Drug Evaluation Report" released by the National Medical Products Administration indicated that the number of drug registration applications accepted (measured by acceptance numbers, the same below) and audit in 2023 reached a new high in the past five years. Throughout the year, 40 innovative drugs were approved for market launch, 45 drugs for rare diseases were approved, and 92 pediatric drug products were approved, better meeting clinical medication needs.

Response measures: The Company will continue to pay attention to unfulfilled clinical needs, invest in innovative R&D for drugs required urgently in clinical application and innovative drugs with a certain amount of high added-value and high-barrier complex preparations as we have always pursued in the past, especially focus on innovative drug projects with longer patent protection periods. In order to improve the efficiency of new drug R&D, the Company adjusted its R&D system architecture during the Reporting Period and improved its medium and long-term R&D plans. In the future, the Company will closely monitor the cutting-edge trends and latest developments in the pharmaceutical industry, continuously optimize pipeline layout. Meanwhile, the Company will 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. The Company will promote the integration of innovative resources, proactively carry out cooperation and introduction of domestic and foreign innovative drugs, promote international development, actively explore overseas markets, and introduce and develop high-end talents. 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

XII. 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. In addition, the improvement of quality standards in the national new Pharmacopoeia, the implementation of safety, environmental protection and other policies, as well as the increase in the industrial chain cost of chemical raw materials have further aggravated the price increase of certain raw materials.

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, and continues to track and monitor the market for Chinese medicinal materials to determine a scientific and reasonable procurement model; Secondly, the Company will actively monitor market supply and demand trends, strengthen the inspection of the price of upstream raw materials, and 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 (参芪扶正注射液), Bismuth Potassium Citrate series (得樂系列) products, gonadotropic hormones products and psychiatric products, which are the Group's key drug preparation products, were supported by the industry chain within the Group, therefore the supply and prices of these raw materials could maintain stability. 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 in a timely manner, the Company was able to control the cost of raw and auxiliary materials, our production operation was not affected much.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XII. RISKS AND RESPONSE MEASURES *(continued)*

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, which will increase the operating costs of the Company. Some pharmaceutical enterprises are even faced with the troubles of restricted production and production suspension due to environmental protection factors.

Response measures: The Company strictly complies with the national environmental protection policies and legal requirements, taking the responsibility of protecting the environment. We always implement the concept of green development, and considering the actual operation and the characteristics of the pharmaceutical industry, have formulated a series of comprehensive internal environmental management systems targeting key areas of environmental management (such as exhaust emissions, wastewater discharge, waste, noise, and energy). We require all enterprises within the Group to strictly adhere to these regulations. Meanwhile, we established the EHS management framework, strictly implemented EHS management responsibilities at all levels, and continuously increased investment in environmental management. In addition, we actively conduct training activities to enhance the environmental awareness and capabilities of our employees. In the future, we will further increase investments and efforts in environmental protection, conduct training and education on environmental protection in a timely manner, optimize internal control standards, and continuously improve equipment and facilities, process technology and production process. Meanwhile, the management of pollutant discharge and resource utilization will be refined, surveillance on major waste discharge units will be stepped up, to continuously reduce pollutant and waste discharge and improve the efficiency of energy and resource utilization 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.

XIII. IMPLEMENTATION OF THE “IMPROVEMENT IN BOTH QUALITY AND RETURN” ACTION PLAN

Yes No

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XIV. REPURCHASE, SALE OR REDEMPTION OF SECURITIES

Repurchase of A Shares

2023 Repurchase Plan of A Shares:

On 19 December 2023, the repurchase of part of the Company's A Shares scheme (the "Repurchase Scheme") had been considered and approved at the 2023 third extraordinary general meeting, the 2023 second class meeting of A Shareholders and the 2023 second 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 this time will be cancelled for reducing the registered capital. According to the Repurchase Scheme, the repurchase price shall not exceed RMB38.00 per A Share. The aggregate amount of funds to be used for the repurchase shall not be less than RMB400.0000 million (inclusive) and not more than RMB600.0000 million (inclusive). The implementation period of the Repurchase Scheme (the "Repurchase Period") was twelve months from 19 December 2023.

As at 30 June 2024, the Company has repurchased a total of 2,152,600 A Shares of the Company by means of centralized bidding transactions pursuant to the Repurchase Scheme during the Repurchase Period, accounting for 0.23% of the total issued share capital and 0.35% of the total issued A Shares of the Company. The highest purchase price was RMB35.15 per share, while the lowest purchase price was RMB32.95 per share. The aggregate amount of funds utilized was RMB73,436,534.00 (excluding the transaction costs).

In July 2024, the Company has repurchased a total of 2,741,600 A Shares of the Company by means of centralized bidding transactions pursuant to the Repurchase Scheme during the Repurchase Period, accounting for 0.30% of the total issued share capital and 0.44% of the total issued A Shares of the Company. The highest purchase price was RMB36.80 per share, while the lowest purchase price was RMB35.05 per share. The aggregate amount of funds utilized was RMB98,431,542.00 (excluding the transaction costs).

The A Shares repurchased according to the Repurchase Scheme have not been cancelled. The monthly reports on the repurchase of A Shares during the Repurchase Period are 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'000, excluding transaction costs)
January 2024	1,553,500	35.15	33.73	5,340.15
February 2024	599,100	33.95	32.95	2,003.50
July 2024	2,741,600	36.80	35.05	9,843.15

Repurchase of H Shares

The grant of general mandate to the Board to repurchase H Shares of the Company (the "First H Share Repurchase Mandate") had been considered and approved by the Board of the Company on 30 October 2023 and by the 2023 third extraordinary general meeting, the 2023 second class meeting of A Shareholders and the 2023 second class meeting of H Shareholders of the Company on 19 December 2023, respectively. The maximum number of H Shares proposed to be repurchased shall not exceed 30,983,121 H Shares, representing 10% of the total number of H Shares in issue and having not been repurchased as at the date of the passing of the resolution in relation to the First H Share Repurchase Mandate approved by the shareholders of the Company.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

Repurchase of H Shares *(continued)*

As at 27 June 2024, the Company made a total repurchase of 2,778,800 H Shares of the Company under the First H Share Repurchase Mandate, accounting for 0.30% of the total issued share capital and 0.90% of the total issued H Shares of the Company as at 27 June 2024. The highest purchase price was HKD26.15 per share, while the lowest purchase price was HKD23.05 per share. The aggregate amount of funds used for the repurchase was HKD68,157,390.00 (excluding the transaction costs). On 28 June 2024, the H Shares repurchased by the Company were cancelled. The First H Share Repurchase Mandate expired on 14 June 2024 (i.e., upon the conclusion of the 2023 annual general meeting of the Company). The monthly reports are as follows:

Month	Number of repurchases (shares)	Maximum purchase price per share (HKD/share)	Minimum purchase price per share (HKD/share)	Total funds used (HKD'000, excluding transaction costs)
January 2024	2,317,500	25.15	23.05	5,662.17
February 2024	158,800	23.95	23.15	374.16
April 2024	302,500	26.15	25.50	779.41

The grant of general mandate to the Board to repurchase H Shares of the Company (the "Second H Share Repurchase Mandate") had been considered and approved by the Board of the Company on 13 May 2024 and by the 2023 annual general meeting, the 2024 first class meeting of A Shareholders and the 2024 first class meeting of H Shareholders of the Company on 14 June 2024, respectively. The maximum number of H Shares proposed to be repurchased shall not exceed 30,705,241 H Shares, representing 10% of the total number of H Shares in issue and having not been repurchased as at the date of the passing of the resolution in relation to the Second H Share Repurchase Mandate approved by the shareholders of the Company. As at the End of the Reporting Period, the Company had not carried out any repurchase of H Shares under the Second H Share Repurchase Mandate.

Pursuant to the Second H Share Repurchase Mandate, in July 2024, the Company repurchased a total of 1,302,700 H Shares of the Company, accounting for 0.14% of total share capital of the Company and 0.42% of the total issued H Shares of the Company. The highest purchase price was HKD24.95 per share, while the lowest purchase price was HKD23.75 per share. The aggregate amount of funds utilized was HKD31,581,205.00 (excluding the transaction costs). The monthly reports on the repurchase of H Shares are as follows:

Month	Number of repurchases (shares)	Maximum purchase price per share (HKD/share)	Minimum purchase price per share (HKD/share)	Total funds used (HKD'000, excluding transaction costs)
July 2024	1,302,700	24.95	23.75	3,158.12

Save as disclosed above, throughout the period from 1 January 2024 to 30 June 2024, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the listed securities of the Company (including the sale of H treasury shares (as defined in the Hong Kong Listing Rules)). As at the End of the Reporting Period, the Company did not hold any H treasury shares (as defined in the Hong Kong Listing Rules).

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XV. 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 issuance expenses of RMB37,519,603.53 in aggregate, 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

XV. 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 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 “Resolution 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 Livzon 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 planned investment of 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 RMB198.4550 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

XV. 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 Utilisation 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

XV. 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 implementing entities 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 RMB102.6000 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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVI. SHARE OPTIONS INCENTIVE SCHEMES

1. The 2022 Share Options Incentive Scheme

On 29 August 2022, the Company convened the thirty-fourth 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 the relevant provisions 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 thirty-sixth 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) (《2022年股票期權激勵計劃(草案修訂稿)》) 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 class meeting of A Shareholders and the 2022 second class meeting of H Shareholders of the Company.

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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

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.

Total number of shares issuable

On 7 November 2022, the Company convened the thirty-ninth 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 1.94% and 0.22% of total share capital in issue as at the disclosure date of the Report or amounts in the aggregate to 2.16% 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. The remaining validity period of the 2022 Share Options Incentive Scheme as at the date of the Report is approximately three years and three months.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

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.

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%

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

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 A 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 A 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 (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) one of the average trading prices 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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

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.

The performance targets of the Reserved Grant are as follows:

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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2022 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 will be graded as follows:

Appraisal results	Excellent	Good	Qualified	Failed
Personal 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.

Fair value and accounting policies of the share options

(1) Fair value

First Grant

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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

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

(1) Fair value *(continued)*

First Grant *(continued)*

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 recognized in phrases during the implementation process of the 2022 Share Options Incentive Scheme as the incentive cost of the 2022 Share Options Incentive Scheme.

Reserved Grant

The Company selected the Black-Scholes Model to calculate the fair value of share option under the Reserved 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	RMB34.68 per share (the price on the date of grant)
Exercise price	RMB36.26 per share option
Validity period of share options	The two validity periods of share options are 1 year and 2 years, respectively
Risk-free interest rate	Risk-free interest rates of the two exercise periods of share options are 1.50% and 2.10%, respectively (listed based on one-year, two-year fixed deposit rate, respectively)
Volatility of underlying share	The volatility of the two exercise periods of share options are 14.61% and 18.83%, respectively (listed based on the volatility rate of the SZSE Composite Index in the latest 12 months and 24 months, respectively)
Dividend yield of underlying share	The dividend yields for the two exercise periods of share options are 4.08% and 4.02%, respectively (listed based on the average of the dividend rate of the Company for 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: 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 fair value of the share options may be subjective and uncertain.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

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

(1) Fair value *(continued)*

Reserved Grant *(continued)*

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 50% and 50%).

	Tranche 1	Tranche 2
Fair value of the share options (RMB/share option)	1.0236	2.3200
Exercise amount (0'000 share options)	100.00	100.00
Total cost for the period (RMB0'000)	102.36	232.00
Total cost (RMB0'000)	334.36	

According to the aforesaid calculation, on 30 October 2023, the date of grant, the Group granted 2,000,000 share options to the incentive participants under the Reserved Grant with the total fair value of RMB3.3436 million which will be recognized in phrases during the implementation process of the 2022 Share Options Incentive Scheme as the incentive cost of the 2022 Share Options Incentive Scheme.

(2) Accounting policies

Pursuant to the requirements of Enterprise Accounting Standard No. 11 – Share-based Payments (《企業會計準則第11號—股份支付》), 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 of the First Grant and the Reserved Grant.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

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

(2) Accounting policies *(continued)*

First Grant

On 7 November 2022, the Company convened the thirty-ninth meeting of the tenth session of the Board to consider and approve:

- (1) 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;
- (2) 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.

On 18 December 2023, the Company convened the ninth meeting of the eleventh session of the Board to consider and approve:

- (1) In view of the 25 former incentive participants under the Company's the First Grant having resigned due to personal reasons and therefore no longer meeting the conditions for incentive, the Company cancelled 361,000 Share Options granted to and held by the 25 incentive participants under the First Grant that do not meet the Exercise Conditions. After the cancellation, the number of share options under the First Grant is adjusted from 17,973,500 to 17,612,500, and the number of incentive participants under the First Grant is adjusted from 1,026 to 1,001.
- (2) The Exercise Conditions for the first exercise period of the First Grant under the 2022 Share Options Incentive Scheme of the Company have been fulfilled, and agreed that 1,001 incentive participants who meet the Exercise Conditions are entitled to exercise 7,045,000 Share Options during the first exercise period at the exercise price of RMB31.31 per A Share. After verification by Shenzhen Stock Exchange and CSDCC, the relevant share options can be exercised from 2 January 2024.

On 13 May 2024, the Company convened the sixteenth meeting of the eleventh session of the Board to consider and approve:

As the performance targets at the Company level for the second exercise period of the Share Options under the First Grant (a total of 5.28375 million options) and the first exercise period of the Reserved Grant (a total of 1 million options) of 2022 Share Options Incentive Scheme were not met, the options for both periods cannot be exercised, and the Company has cancelled the options that cannot be exercised.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVI. SHARE OPTIONS INCENTIVE SCHEMES (continued)

1. The 2022 Share Options Incentive Scheme (continued)

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

(2) Accounting policies (continued)

First Grant (continued)

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

Unit: 0'000 share options

Incentive participant	Position	Beginning of the Reporting Period			During the Reporting Period					End of the Reporting Period		
		Number of share options held ⁽²⁾⁽³⁾	Number of share options vested ⁽²⁾	Number of share options unvested ⁽²⁾⁽³⁾	Number of share options granted	Number of share options vested ⁽²⁾	Number of share options exercised ⁽²⁾⁽⁵⁾	Number of share options lapsed	Number of share options cancelled ⁽⁶⁾	Number of share options held ⁽²⁾⁽³⁾	Number of share options vested ⁽²⁾⁽³⁾	Number of share options unvested ⁽²⁾⁽³⁾
Tang Yanggang	Executive Director and President	16.00	6.40	9.60	-	-	-	-	4.80	11.20	6.40	11.20
Xu Guoxiang	Vice Chairman, Executive Director and Vice President	16.00	6.40	9.60	-	-	-	-	4.80	11.20	6.40	11.20
Yang Daihong	Vice President	12.00	4.80	7.20	-	-	-	-	3.60	8.40	4.80	8.40
Si Yanxia	Vice President, Chief Financial Officer	12.00	4.80	7.20	-	-	-	-	3.60	8.40	4.80	8.40
Zhou Peng	Vice President	9.60	3.84	5.76	-	-	-	-	2.88	6.72	3.84	6.72
Huang Yuxuan	Vice President	12.00	4.80	7.20	-	-	-	-	3.60	8.40	4.80	8.40
Du Jun	Vice President	12.00	4.80	7.20	-	-	-	-	3.60	8.40	4.80	8.40
Yang Liang	Vice President, Secretary to the Board and Company Secretary	12.00	4.80	7.20	-	-	-	-	3.60	8.40	4.80	8.40
Hou Xuemei ⁽⁴⁾	Mid-level management	6.40	2.56	3.84	-	-	-	-	1.92	4.48	2.56	4.48
	Mid-level management and relevant core personnel of the Company (1,017 persons)	1,689.35	661.30	1,028.05	-	-	516.6145	-	495.9750	676.7605	661.30	676.7605

- Notes:**
- (1) The registration of the First Grant under the 2022 Share Options Incentive Scheme was completed on 23 November 2022. Therefore, during 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 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 (namely 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 (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.
 - (3) 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.
 - (4) Hou Xuemei is the spouse of Tao Desheng, a Director of the Company, and is the close associate of Tao Desheng under the Hong Kong Listing Rules.
 - (5) The weighted average closing price of the A Shares of the Company immediately preceding the exercise date of share options was RMB37.63 per share.
 - (6) The exercise price of the share options cancelled during the Reporting Period was RMB31.31 per share.
 - (7) As at the End of the Reporting Period, all share options granted under the First Grant have been granted and some have been vested to the incentive participants. Therefore, the total number of share options that can be granted under the First Grant was 0 at the End of Reporting Period.
 - (8) The 2022 Share Options Incentive Scheme does not include Related Entity Participants (as defined in Chapter 17 of the Hong Kong Listing Rules) or Service Providers (as defined in Chapter 17 of the Hong Kong Listing Rules). The Company has also not granted or will grant options in excess of 1% of the total issued share capital of the Company to any incentive participant.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

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

(2) Accounting policies *(continued)*

Reserved Grant

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

On 12 October 2023, the Company convened the fourth meeting of the eleventh session of the Board to consider and approve:

with 30 October 2023 as the date of the Reserved Grant, granting 2,000,000 share options to 243 incentive participants (incentive participants were not required to pay any consideration to the Company when accepting the share options) with the exercise price of RMB36.26 per A Share. Registration of the Reserved Grant was completed on 28 November 2023. The abbreviation of the share options: Livzon JLC4. The code of the share options: 037409.

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

Unit: 0'000 share options

Incentive participant	Position	Beginning of the Reporting Period			During the Reporting Period					End of the Reporting Period		
		Number of share options held	Number of share options vested	Number of share options unvested ⁽²⁾⁽³⁾	Number of share options granted	Number of share options vested	Number of share options exercised	Number of share options lapsed	Number of share options cancelled ⁽⁴⁾	Number of share options held ⁽²⁾⁽³⁾	Number of share options vested	Number of share options unvested ⁽²⁾⁽³⁾
Du Jun	Vice President	3.00	-	3.00	-	-	-	-	1.50	1.50	-	1.50
Mid-level management and relevant core personnel of the Company (242 persons)		197.00	-	197.00	-	-	-	-	98.50	98.50	-	98.50

Notes:

- (1) The registration of the Reserved Grant under the 2022 Share Options Incentive Scheme was completed on 28 November 2023. Therefore, during 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 is 30 October 2023, and the exercise price is RMB36.26 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 (namely 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 (30 October 2023) was RMB3.3436 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 October 2023 (trading day before the grant date), the closing price of the A Shares of the Company was RMB34.27 per share.
- (4) The exercise price of the share options cancelled during the Reporting Period was RMB36.26 per share.
- (5) As at the End of the Reporting Period, all share options granted under the Reserved Grant have been granted but not yet vested to the incentive participants. Therefore, the total number of share options that can be granted under the Reserved Grant was 0 at the End of Reporting Period.
- (6) The 2022 Share Options Incentive Scheme does not include Related Entity Participants (as defined in Chapter 17 of the Hong Kong Listing Rules) or Service Providers (as defined in Chapter 17 of the Hong Kong Listing Rules). The Company has also not granted or will grant options in excess of 1% of the total issued share capital of the Company to any incentive participant.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

During the Reporting Period, the number of shares issued by the Company in respect of the share options and awards granted under all plans divided by the weighted average number of relevant class of shares (A Shares) in issue during the Reporting Period was approximately 0.32%.

XVII. 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) (《中長期事業合夥人持股計劃(草案)》) 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 the Company as at the disclosure date of the Report.

On 26 May 2024, the lock-up period of the First Phase Ownership Scheme has expired.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII. 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 provides 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 RMB117.461090 million, 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

XVII. 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 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

XVII. 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. The remaining validity period of the First Phase Ownership Scheme as at the date of the Report is approximately nine months.

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 any 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 of disposal 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 seek to sell the Underlying Shares at its option 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

XVII. 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			
			invested at the Beginning of the Reporting Period (0'000 shares) ⁽¹⁾	held as at 1 January 2024 (0'000 shares) ⁽²⁾⁽³⁾	vested during the Period (0'000 shares)	cancelled during the Period (0'000 shares)	lapsed during the Period (0'000 shares)	held as at 30 June 2024 (0'000 shares) ⁽²⁾⁽³⁾	invested at the End of the Reporting Period (0'000 shares) ⁽¹⁾
Tang Yanggang	Executive Director	7.13%	–	837.3502	–	–	–	837.3502	–
Xu Guoxiang	Executive Director	5.00%	–	587.3055	–	–	–	587.3055	–
The top five highest paid individuals (except for Tang Yanggang and 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 of the Company. 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, and a total of 117,461,090 shares under the First Phase Ownership Scheme have been vested to the Holders.
- (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 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 was RMB49.16 per share.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.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
Tang Yanggang	Executive Director and President	837.3502	7.13%
Xu Guoxiang	Vice Chairman, Executive Director and Vice President	587.3055	5.00%
XU PENG	Vice President	334.0666	2.84%
Yang Daihong	Vice President	352.3833	3.00%
Huang Yuxuan	Vice President	411.1138	3.50%
Si Yanxia	Vice President, Chief Financial Officer	293.6527	2.50%
Zhou Peng	Vice President	234.9222	2.00%
Yang Liang	Vice President, Secretary to the Board and Company Secretary	293.6527	2.50%
Wang Maolin	Chief Supervisor	117.4611	1.00%
Hou Xuemei <i>(note)</i>	Chief Scientist of a subsidiary of the Company	161.6556	1.38%
Directors and general managers of subsidiaries of the Company		1,713.9414	14.59%

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII. 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"), and the maximum subscription shares held by the Connected Holders were 27,123,084 shares (the "Maximum 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 14A 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 RMB64.9514 million. 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 the Company as at the disclosure date of the Report.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME *(continued)*

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

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 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 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 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 provides 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 RMB64.965470 million, 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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME *(continued)*

2. The Second 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 Second Phase Ownership Scheme, where the Underlying Shares are purchased through the secondary market, it shall be completed within six months after 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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME *(continued)*

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

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. The remaining validity period of the Second Phase Ownership Scheme as at the date of the Report is approximately two years.

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.

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 any 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 of disposal 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

XVII.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		Shares vested during the Period (0'000 shares)	Shares cancelled during the Period (0'000 shares)	Shares lapsed during the Period (0'000 shares)	Shares held as at 30 June 2024 (0'000 shares) ⁽²⁾⁽³⁾	Shares unvested at the End of the Reporting Period (0'000 shares) ⁽¹⁾
			unvested at the Beginning of the Reporting Period (0'000 shares) ⁽¹⁾	Shares held as at 1 January 2024 (0'000 shares) ⁽²⁾⁽³⁾					
Tang Yanggang	Executive Director	6.00%	–	389.7928	–	–	–	389.7928	–
Xu Guoxiang	Executive Director	5.00%	–	324.8274	–	–	–	324.8274	–
The top five highest paid individuals (except for Tang Yanggang and 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 of the Company. As at 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 RMB64.9514 million, and a total of 64,965,470 shares under the Second Phase Ownership Scheme have been vested to the Holders.
- (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 was RMB31.75 per share.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.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
Tang Yanggang	Executive Director and President	389.7928	6.00%
Xu Guoxiang	Vice Chairman, Executive Director and Vice President	324.8274	5.00%
XU PENG	Vice President	178.6550	2.75%
Yang Daihong	Vice President	194.8964	3.00%
Huang Yuxuan	Vice President	227.3791	3.50%
Si Yanxia	Vice President, Chief Financial Officer	162.4137	2.50%
Zhou Peng	Vice President	97.4482	1.50%
Yang Liang	Vice President, Secretary to the Board and Company Secretary	162.4137	2.50%
Wang Maolin	Chief Supervisor	64.9655	1.00%
Hou Xuemei <i>(note)</i>	Chief Scientist of a subsidiary of the Company	64.9655	1.00%
Directors and general managers of subsidiaries of the Company		844.5511	13.00%

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME *(continued)*

3. The Third Phase Ownership Scheme

On 7 November 2023, the 2023 second extraordinary general meeting of the Company considered and approved the third phase ownership scheme under the Ownership Scheme (the "Third Phase Ownership Scheme") and its administrative measures (the "Administrative Measures"). Pursuant to Chapter 17 of the Hong Kong Listing Rules, the Third Phase Ownership Scheme constitutes a share scheme involving existing shares.

The holders of the Third 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 32,499,841 shares (the "Maximum Subscription Shares"), and the corresponding maximum subscription amount was RMB32,499,841.

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 17 November 2023, the first Holders' meeting under the Third Phase Ownership Scheme considered and approved (i) the establishment of the management committee of the Third Phase Ownership Scheme as the daily supervision and management agency for the Third 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 Third Phase Ownership Scheme.

From 22 November 2023 to 22 December 2023, the Third Phase Ownership Scheme purchased a total of 2,077,100 A Shares of the Company by means of centralized bidding transactions through the trading system of Shenzhen Stock Exchange. The average transaction price was RMB34.20 per share, and the transaction amount was approximately RMB71.0403 million. As at 22 December 2023, the Third Phase Ownership Scheme has completed the share purchase, and the Shares would be locked up for 36 months as required (from 23 December 2023 to 22 December 2026). The total number of shares involved in the Third Phase Ownership Scheme was 2,077,100 A Shares, representing approximately 0.22% of the total share capital of the Company as at the disclosure date of the Report.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME *(continued)*

3. The Third Phase Ownership Scheme *(continued)*

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

Purpose and benefits of the scheme

The Third 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 Third 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 Third Phase Ownership Scheme by way of apportionment or forced distribution.

The scope of the Holders of the Third 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 Third Phase Ownership Scheme is 84, of which 8 are Directors (excluding independent non-executive Directors), Supervisors and senior management. Shareholders holding more than 5% of the shares and de facto controllers shall not participate in the Third Phase Ownership Scheme.

Source of funds and assessment indicators for Special Fund

Funds for participation of the Company’s employees in the Third Phase Ownership Scheme come from the special fund (the “Special Fund”) of the Third Phase Ownership Scheme set aside by the Company. There is no circumstance where the Company provides financial assistance to employees or provides 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 Third Phase Ownership Scheme is RMB71.037901 million, 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 Third Phase Ownership Scheme or receiving the distribution income according to the Third 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:

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME *(continued)*

3. The Third Phase Ownership Scheme *(continued)*

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

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 (excluding subscription of newly issued shares of the Company), including purchases through the secondary market (including but not limited to auction transactions and block trades). Under the Third Phase Ownership Scheme, where the Underlying Shares are purchased through the secondary market, it shall be completed within six months after the Third 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 Third 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 Third 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

XVII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME *(continued)*

3. The Third Phase Ownership Scheme *(continued)*

Duration and lock-up period

The duration of the Third 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 Third Phase Ownership Scheme to the account in the name of the Third Phase Ownership Scheme, namely 23 December 2023 to 22 December 2027. The remaining validity period of the Third Phase Ownership Scheme as at the date of the Report is approximately three years and four months.

Lock-up periods of the Underlying Shares obtained by the Third 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 Third Phase Ownership Scheme to the account in the name of the Third Phase Ownership Scheme, namely 23 December 2023 to 22 December 2026.

Management model

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

Disposal of interests

- (1) After the expiration of the duration of the Third 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 Third 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 Third Phase Ownership Scheme, the Management Committee shall determine a specific way of disposal.
- (2) After the lock-up period of the Third 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 Third Phase Ownership Scheme within the duration;
 - (iii) transfer the ownership of the Underlying Shares to the personal accounts of Holders of the Third Phase Ownership Scheme;
 - (iv) other ways of disposal as permitted by the laws, administrative regulations, rules or normative documents.

After the lock-up period of the Third Phase Ownership Scheme expires, the Management Committee may seek to sell the Underlying Shares at its option during the duration of the Third Phase Ownership Scheme. Where there is distributable income after the lockup period of the Third 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

XVII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME (continued)

3. The Third 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 Third Phase Ownership Scheme	Shares unvested at the Beginning of the Reporting Period (0'000 shares) ⁽¹⁾	Shares held as at 1 January 2024 (0'000 shares) ⁽²⁾⁽³⁾	Shares vested during the Period (0'000 shares)	Shares cancelled during the Period (0'000 shares)	Shares lapse during the Period (0'000 shares)	Shares held as at 30 June 2024 (0'000 shares) ⁽²⁾⁽³⁾	Shares unvested at the End of the Reporting Period (0'000 shares) ⁽¹⁾
Tang Yanggang	Executive Director	6.00%	–	426.2274	–	–	–	426.2274	–
Xu Guoxiang	Executive Director	5.00%	–	355.1895	–	–	–	355.1895	–
The top five highest paid individuals (except for Tang Yanggang and Xu Guoxiang)		15.00%	–	1,065.5687	–	–	–	1,065.5687	–
Others (71 persons)		74.00%	–	5,256.8045	–	–	–	5,256.8045	–

- Notes: (1) On 7 November 2023, the Third Phase Ownership Scheme was considered and approved at the 2023 second extraordinary general meeting of the Company. As at 22 December 2023, the Third Phase Ownership Scheme purchased a total of 2,077,100 A Shares of the Company by means of centralized bidding transactions with transaction amount of RMB71.0403 million, and a total of 71,037,901 shares under the Third Phase Ownership Scheme have been vested to the Holders.
- (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 Third Phase Ownership Scheme or receiving the distribution income according to the Third Phase Ownership Scheme.
- (3) On 21 December 2023 (at the trading day prior to the share being vested), the closing price of the A shares of the Company was RMB34.91 per share.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME *(continued)*

3. The Third 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 Third Phase Ownership Scheme
Tang Yanggang	Executive Director and President	426.2274	6.00%
Xu Guoxiang	Vice Chairman and Vice President	355.1895	5.00%
Yang Daihong	Vice President	213.1137	3.00%
Huang Yuxuan	Vice President	248.6327	3.50%
Si Yanxia	Vice President, Chief Financial Officer	177.5948	2.50%
Du Jun	Vice President	248.6327	3.50%
Yang Liang	Vice President, Secretary to the Board	177.5948	2.50%
Wang Maolin	Chief Supervisor	71.0379	1.00%
Hou Xuemei <i>(note)</i>	Chief Scientist of a subsidiary of the Company	71.0379	1.00%
Directors and general managers of subsidiaries of the Company		1,260.9227	17.75%

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVIII. LIST OF MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY COMMITTEE

As at the disclosure date of the Report, the Board of the Company is comprised 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 is comprised of 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)

SECTION IV CORPORATE GOVERNANCE

I. ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETINGS CONVENED DURING THE REPORTING PERIOD

1. General meetings during the Reporting Period

Meeting sessions	Type of meeting	Participation percentage of investors	Date of meeting	Disclosure date	Meeting resolutions
2024 First Extraordinary General Meeting	Extraordinary general meeting	52.2136%	12 January 2024	13 January 2024	Consideration and approval of the Resolution on the Termination of the Proposed Spin-off and Listing of A Controlling Subsidiary of the Company on the ChiNext Board, the Resolution on the Application for Listing of Livzon Diagnostics, A Controlling Subsidiary of the Company, on the NEEQ, and the Resolution on the Authorization Granted by the General Meeting to the Board and Its Authorized Persons to Deal With Matters Relating to the Listing of Livzon Diagnostics on the NEEQ
2024 Second Extraordinary General Meeting	Extraordinary general meeting	36.2177%	5 March 2024	6 March 2024	Consideration and approval of the Resolution on the Reduction of the Registered Capital of the Company, the Resolution on the Amendments to the Articles of Association, the Resolution on the Amendments to the Rules and Procedures for General Meetings, and the Resolution on the Amendments to the Rules and Procedures for Board Meetings

SECTION IV CORPORATE GOVERNANCE

I. ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETINGS CONVENED DURING THE REPORTING PERIOD *(continued)*

1. General meetings during the Reporting Period *(continued)*

Meeting sessions	Type of meeting	Participation percentage of investors	Date of meeting	Disclosure date	Meeting resolutions
2023 Annual General Meeting	Annual general meeting	52.7727%	14 June 2024	15 June 2024	Consideration and approval of the Work Report of the Board for the Year 2023, the Work Report of the Supervisory Committee for the Year 2023, the Financial Accounts Report for the Year 2023, the 2023 Annual Report of Livzon Pharmaceutical Group Inc. (full text and summary), the Resolution on the Appointment of the Auditor of the Financial Statements and Internal Control of the Company for the Year 2024, the 2023 Annual Profit Distribution Plan, the Resolution on the Company's Facility Financing and Provision of Financing Guarantees to Its Subsidiaries, the Resolution on the Company's Provision of Financing Guarantees to Its Controlling Subsidiary Lijian Animal Healthcare, the Resolution on the Renewal of the Repurchase of Part of the Company's A Shares Scheme, and the Resolution on the Grant of General Mandate to the Board to Repurchase H shares of the Company
2024 First Class Meeting of A Shareholders	Class meeting	46.5974%			Consideration and approval of the Resolution on the Renewal of the Repurchase of Part of the Company's A Shares Scheme and the Resolution on the Grant of General Mandate to the Board to Repurchase H shares of the Company
2024 First Class Meeting of H Shareholders	Class meeting	65.1813%			Consideration and approval of the Resolution on the Renewal of the Repurchase of Part of the Company's A Shares Scheme and the Resolution on the Grant of General Mandate to the Board to Repurchase H Shares of the Company

SECTION IV CORPORATE GOVERNANCE

I. ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETINGS CONVENED DURING THE REPORTING PERIOD *(continued)*

2. Holders of preferred shares with resumed voting rights requesting to hold extraordinary general meeting

Applicable Not Applicable

II. CORPORATE GOVERNANCE

1. Overview

During the Reporting Period, the Company constantly enhanced the corporate governance structure and strengthened the internal control systems of the Company strictly in 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 Main Board Listed Companies, 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, to achieve higher corporate governance standards.

The Board believes that the actual conditions of corporate governance of the Company are in compliance with the rules and requirements of normative documents including the Guidelines for Corporate Governance of Listed Companies without deviation.

During the Reporting Period, 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.

2. Compliance with the Corporate Governance Code

The Company confirmed that during the period from 1 January 2024 to 30 June 2024, the Company has strictly complied with the principles and the code provisions in Part 2 of the Corporate Governance Code as set out in Appendix C1 of the Hong Kong Listing Rules.

3. Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix C3 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 C1 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 regarding securities transactions during the period from 1 January 2024 to 30 June 2024. All Directors and Supervisors have confirmed that they have complied with the standards as set out in the above-mentioned code during the period from 1 January 2024 to 30 June 2024. The Company has also made specific enquiries to all relevant employees in respect of compliance with the standards set out in the above-mentioned code by the employees, and noted that there has been no incident of non-compliance with the standards as set out in the above-mentioned code.

SECTION IV CORPORATE GOVERNANCE

II. CORPORATE GOVERNANCE *(continued)*

4. 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 websites of the Hong Kong Stock Exchange and the Company. Apart from the requirements under the Hong Kong Listing Rules and the Corporate Governance Code, the Company has also established (i) the Strategy Committee in order to monitor the Company's long-term development strategic plan, conduct research and give recommendations thereon; and (ii) the environmental, social and governance ("ESG") committee (the "ESG Committee") in order to promote the development and implementation of ESG affairs of the Group.

Audit Committee

The Audit Committee under the eleventh session of the Board is comprised of three independent non-executive Directors of the Company. The chairman of the committee is Mr. Bai Hua and other committee members are Mr. Luo Huiyuan and Mr. Tian Qiusheng. Mr. Bai Hua possesses 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; review the Company's financial control system, risk management system and internal control system; study the Company's relationships with external auditors and consider the annual audit plans submitted by external auditors; and review the arrangement in the Company for submission of reports in confidence by relevant employees of the Company in relation to concern of possible improprieties in financial reporting, internal control or other aspects.

The Audit Committee has reviewed the Group's unaudited interim results and interim report for the six months ended 30 June 2024 and agreed to submit the same to the Board for consideration.

Remuneration and Assessment Committee

The Remuneration and Assessment Committee under the eleventh 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 Mr. Bai Hua and Ms. Cui Lijie, 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, review and give advice to/advise the Board on the remuneration packages for the chairman of the Board, executive Directors and senior management of the Company; to make recommendations to the Board on the policy and structure for all Directors' and senior management's remuneration and 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; and to review and/or approve matters related to share schemes as described in Chapter 17 of the Hong Kong Listing Rules.

SECTION IV CORPORATE GOVERNANCE

II. CORPORATE GOVERNANCE *(continued)*

4. Special committees of the Board *(continued)*

Nomination Committee

The Nomination Committee under the eleventh 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 include 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, age, cultural and educational 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 reappointment of Directors and succession plan for Directors (particularly the chairman and the president); and to evaluate the independence of independent non-executive Directors.

Strategy Committee

The Strategy Committee under the eleventh 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 include Mr. Tao Desheng (non-executive Director) and Mr. Tang Yanggang (executive Director). The key responsibilities of the Strategy Committee are to conduct research on the Company's long-term development strategies and major investment decisions, and to give recommendations thereon.

Environmental, Social and Governance Committee

The ESG Committee under the eleventh 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 the Shenzhen Listing Rules and the Hong Kong Listing Rules.

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Applicable Not Applicable

Name	Position	Type	Date	Reason
Liu Daping	Vice President	Appointed	30 January 2024	Not applicable

SECTION IV CORPORATE GOVERNANCE

IV. CHANGES IN THE BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the date of the Report, changes in the brief biographies of Directors, Supervisors and senior management during their term of office required to be disclosed according to Rules 13.51(2) and 13.51B of the Hong Kong Listing Rules are set out below:

Mr. Tao Desheng (陶德勝) has been serving as the legal representative of the Guangdong Pharmaceutical Profession Association (廣東省醫藥行業協會) and other social positions since November 2023 and the president of Great Health Biomedical Industry Association (大健康生物醫藥產業協會) of Guangdong-Macao In-Depth Cooperation Zone in Hengqin since January 2024.

Ms. Cui Lijie (崔麗婕) would no longer serve as a non-independent director of Suzhou Iron Technology Co., Ltd. (蘇州艾隆科技股份有限公司) (688329.SH) since May 2024.

V. PROFIT DISTRIBUTION AND CONVERSION OF CAPITAL RESERVE INTO SHARE CAPITAL FOR THE REPORTING PERIOD

Applicable Not Applicable

VI. IMPLEMENTATION OF EQUITY INCENTIVE SCHEME, EMPLOYEE SHARE OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVES OF THE COMPANY

Applicable Not Applicable

Please refer to the relevant contents of “XVI. SHARE OPTIONS INCENTIVE SCHEMES” and “XVII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME” in Section III of the Report for details.

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 10 subsidiaries of the Company being identified as key pollutant discharging units announced by the Environmental Protection Department, with details as follows:

(1) Fuzhou Fuxing

Details of industry discharge standards and pollutant discharge involved in production and operation activities:

Name of company or subsidiary	Type of major pollutants and specific pollutants	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	Water pollutant	Chemical oxygen demand (COD)	Intermittent	1	The northwest side of the factory	16.38	100	9.96	102.19	Nil
	Water pollutant	Ammonia nitrogen				0.212	15	0.13	10.22	Nil
	Air pollutant	SO ₂	Organized	1	RTO	5.00	200 mg/m ³	0.40	2.6	Nil
	Air pollutant	NO _x		1	RTO	6.00	200 mg/m ³	0.48	2.6	Nil
	Air pollutant	VOCs		7	RTO, fermentation workshop, environmental friendly sewage station, regulating pool, Workshop 2 (East), Workshop 2 (West), QC department	4.44	60 mg/m ³	3.82	30.19	Nil

Policies and industry standards relating to environmental protection:

The discharge concentration represents the actual discharge concentration to the environment, 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 ≤ 100 mg/L, ammonia nitrogen ≤ 15 mg/L), and the agreed standard for wastewater discharge from Fuzhou Fuxing to Jiangyin Sewage Treatment Plant (江陰污水處理廠) shall be the standards for discharge to the environment by Jiangyin Sewage Treatment Plant (江陰污水處理廠) (i.e. COD ≤ 500 mg/L, ammonia nitrogen ≤ 60 mg/L, total phosphorus ≤ 8 mg/L, total nitrogen ≤ 70 mg/L, SS ≤ 400 mg/L). For the discharge of non-methane total hydrocarbons, particulate matter, sulfur dioxide, and nitrogen oxides, the adopted standard was the standard limits stipulated in the Emission Standard of Air Pollutants 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)*

(1) Fuzhou Fuxing *(continued)*

Treatment of pollutants:

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. The VOCs and other waste gas generated in the workshops are collected through waste gas pipelines to the RTO for treatment, while the waste gas from the Fenton pool and regulating pool is treated by secondary alkaline spray process. In the first half of 2024, the COD concentration was 5,837.74 mg/L, and the ammonia nitrogen concentration was 244.89 mg/L; the COD concentration and ammonia nitrogen concentration discharged into Jiangyin Sewage Treatment Plant (江陰污水廠) were 216.31 mg/L and 18.03 mg/L, respectively. The removal rates of COD and ammonia nitrogen reached over 96.29% and 92.63%, respectively.

Environmental protection administrative licensing:

The Environmental Impact Report on the Phase III High-end Antibiotics Project of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (《麗珠集團福州福興醫藥有限公司三階段高端抗生素項目環境影響報告書》) was approved on 23 August 2021. The Environmental Impact Report on the Phase IV High-end Antibiotics Project of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (《麗珠集團福州福興醫藥有限公司四階段高端抗生素項目環境影響報告書》) was approved on 12 October 2022. In March 2023, the second phase, the third phase, the second stage and the third stage of environmental inspection have been completed. 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 re-application for the pollutant discharge license was completed in October 2023 with a validity period from 8 October 2023 to 7 October 2028.

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 June 2023, a comprehensive emergency fire drill for solvent leakage accident in workshop of the second phase was conducted.

Investment in environmental governance and protection and payment of environmental protection tax:

In the first half of 2024, RMB3,345.45 of environmental protection tax on waste gas and RMB2,682,648.00 of sewage discharge fee were paid. RMB0.85 million was invested to add a set of treatment facility for the waste gas from hydrolytic acidification pool; RMB0.70 million was invested to add a set of cooling facility for fermentation waste gas.

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 Self-monitoring Technology Guidelines for Pollution Sources—Pharmaceutical Industry Fermentation Products Category (《排污單位自行監測技術指南發酵類製藥工業》) (HJ 882-2017), 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 May 2024, the works on leakage detection and repair (LDAR) of volatile organic compounds (VOCs) for the first half of 2024 were completed. Information publicity website: <https://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

Details of industry discharge standards and pollutant discharge involved in production and operation activities:

Name of company or subsidiary	Type of major pollutants and specific pollutants	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	Water pollutant	Chemical oxygen demand	Intermittent	1	Sewage treatment workshop	88.7	240	35.23	213.6	Nil
	Water pollutant	Ammonia nitrogen				3.1	70	1.25	24.5	Nil

Policies and industry standards relating to environmental protection:

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. The boiler waste gas follows the Emission Standard of Air Pollutants for Boilers (《鍋爐大氣污染物排放標準》) (DB 44/765-2019); the waste gas emission from the workshops follows the Emission Standard of Air Pollutants for Pharmaceutical Industry (《製藥工業大氣污染物排放標準》) (GB 37823-2019) and the Emission Standards for Odor Pollutants (《惡臭污染物排放標準》) (GB 14554-93).

Treatment of pollutants:

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 3,000 t/d and adopt the treatment process of "Pre-treatment + Aerobic pool + Hydrolysis acidification tank + SBR + Catalytic oxidation + Air float". The effluent water quality constantly met the standard; the COD concentration of the influent water in the regulating pool was about 2,000 mg/L, and the actual COD concentration discharged after treatment was about 100 mg/L (the discharge standard is ≤ 240 mg/L), and the COD treatment efficiency reached 95%. The waste gas emitted from sewage treatment was treated using a biological deodorization box + 3-level high-efficiency sodium hypochlorite and lye spray + 1-level alkali spray treatment process; the waste gas emission constantly met the standard. For the organic waste gas, the refining workshop adopts the most advanced RTO treatment process, which conveys the waste gas to the RTO furnace chamber at about 800 °C for high-temperature oxidation and completely decomposes the volatile organic gases into CO₂ and water. In 2024, the RTO quench tower was replaced to prevent unorganized emission of waste gas treated by the RTO. The inlet chamber separator of the RTO was also repaired to reduce gas leakage through the RTO inlet and outlet valves, ensuring that the waste gas meets the discharge standards. As the original MVR3-effect evaporator had many perforations in the evaporator tubes, leading to a decrease in evaporation efficiency, the MVR3-effect evaporator was replaced in June to improve MVR evaporation efficiency.

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 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. The first application for a new national discharge permit was applied on 29 December 2017, and the renewal of the discharge permit was processed on 7 May 2024, with a validity period until 7 January 2029. The basic procedures of changing the discharge permit for the new plant in Shijiao was completed on 20 May 2023 and is valid until 14 November 2028.

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 and 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》), which was verified and filed by the Qingyuan Municipal Ecology and Environment Bureau (File No.: 441802-2021-0162-H). Xinbeijiang Pharma regularly carries out environmental factors and sources of hazards identification training for personnel of each department every year, and regularly conducts drills on various emergency contingency plan. A company-level environmental emergency contingency drill was conducted in June 2024, which certified the operability thereof and enhanced the performance level of the emergency rescue staff, responsiveness of the rescue team as well as coordination and collaboration of different tasks.

Investment in environmental governance and protection and payment of environmental protection tax:

In 2024, Xinbeijiang Pharma invested a total of RMB6.7247 million in environmental protection measures to ensure that the company’s wastewater, waste gas, noise and solid wastes were treated and discharged in compliance with laws and regulations. There were no environmental violations occurred. In the first half of 2024, environmental protection tax of RMB3,815.82 was paid in accordance with the Environmental Protection Tax Law of the People’s Republic of China (《中華人民共和國環境保護稅法》).

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 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 national regulations and 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 and waste gas has passed the inspection and acceptance. 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 qualified third party is hired to conduct LDAR every six months for workshops. Xinbeijiang Pharma entrusts a qualified professional third-party testing company to test the wastewater, waste gas and noise in the plant area every year in accordance with the project and frequency requirements of the self-monitoring program, and the test results in the first half of 2024 are up to 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)*

(3) Livzon Hecheng

Details of industry discharge standards and pollutant discharge involved in production and operation activities:

Name of company or subsidiary	Type of major pollutants and specific pollutants	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
Livzon Hecheng	Water pollutant	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	92.43	192	9.832	26.28	Nil
	Water pollutant	Ammonia nitrogen (NH ₃ -N)				0.92	40	0.098	5.48	Nil
	Air pollutant	Sulphur dioxide	Organized	3	Boiler room	2.08	50	0.046	/	Nil
	Air pollutant	Nitrogen oxides	continuous	3	Boiler room	60.4	150	0.522	/	Nil
	Air pollutant	Smoke and dust	emission	3	Boiler room	2.08	20	0.021	/	Nil
	Air pollutant	Hydrogen chloride		7	Workshop	0.21	100	0.062	/	Nil
	Air pollutant	Non-methane hydrocarbons		7	Workshop	19.02	60	6.54	77.76	Nil
	Air pollutant	Non-methane hydrocarbons		1	RTO	9.35	60	0.65		Nil
	Air pollutant	Nitrogen oxides		1	RTO	4.25	200	0.2879	/	Nil
	Air pollutant	Sulphur dioxide		1	RTO	6.25	200	0.434	/	Nil

Policies and industry standards relating to environmental protection:

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. 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 Standard of Air Pollutants for Boilers (《鍋爐大氣污染物排放標準》) (DB 44/765-2019) of Guangdong Province, the waste gas of the workshop and wastewater treatment station complied with the Emission Standard of Air Pollutants 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) Livzon Hecheng *(continued)*

Treatment of pollutants:

The “Three Wastes” were treated in a centralized and effective manner by the company 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. For wastewater, 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 + MBR” 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. The waste gas was treated by spray tower, activated carbon adsorption, condensation, liquid nitrogen cryogenic, RTO and other comprehensive treatment technologies to ensure all kinds of pollutants were effectively treated and discharged in compliance with the standards.

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. In 28 February 2024, the approval of the environmental impact assessment on technological renovation and expansion of 8 products including loratadine (氯雷他定), potassium sulfate (硫酸鉀), glycine salt (甘氨酸鹽), fluoroalkene (弗雷烯烴), fluralaner (氟雷肱酸), lurasidone (魯拉西酮) and vonoprazan fumarate (富馬酸伏諾拉生) was obtained. 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 2023, it was awarded the Green Factory by the Ministry of Industry and Information Technology. In March 2022, the revision and filing of the emergency plan for environmental emergencies was completed.

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 440402-2022-0047-M on 12 April 2022. 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.

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) Livzon Hecheng *(continued)*

Investment in environmental governance and protection and payment of environmental protection tax:

In the first half of 2024, environmental protection tax was paid on time with, a total amount of RMB1,500. Around RMB6 million was invested in upgrading and transforming environmental protection projects such as new RTOs and waste gas treatment facilities. A total of around RMB4.12 million was incurred for wastewater and waste gas treatment facility stations operating fees, environmental protection self-monitoring costs, hazardous waste disposal costs, biochemical sludge disposal costs, etc.

Environmental self-monitoring program:

Through self-monitoring, the requirements under the Technical Specification for Application and Issuance of Pollutant Permit Pharmacy Industry—Active Pharmaceutical Ingredient Manufacturing (《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, pH level and total nitrogen were installed and connected with the national development platform as required. In 2024, 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.

(4) Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)

Details of industry discharge standards and pollutant discharge involved in production and operation activities:

Name of company or subsidiary	Type of major pollutants and specific pollutants	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlet	Distribution of discharge outlets	Discharge concentration $(\text{mg/L})/(\text{mg}/\text{m}^3)$	Pollutant discharge standards $(\text{mg/L})/(\text{mg}/\text{m}^3)$	Total	Total	Excessive discharge
								amount of discharge (t)	amount of discharge approved (t/a)	
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Water pollutant	Chemical oxygen demand	Continuous	1	Southeastern part of the factory zone	47.508	120	4.084	108	Nil
	Water pollutant	Ammonia nitrogen				8.394	35	0.768	31.5	Nil
	Air pollutant	Non-methane hydrocarbons	Organized continuous emission	6	Northwestern part of the factory zone	16.82	100	1.445	/	Nil
	Air pollutant	Nitrogen oxides			Northeastern part of the factory zone	159.83	400	3.05	25.52	Nil
	Air pollutant	Sulphur dioxide				48.17	400	0.923	25.52	Nil
	Air pollutant	particulate matter				5.84	80	0.92	5.104	Nil

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)*

Policies and industry standards relating to environmental protection:

Wastewater discharge follows the Discharge Standard of Water Pollutants for Pharmaceutical Industry Fermentation Products Category (《發酵類製藥工業水污染物排放標準》) (GB 21903-2008). The discharge concentration represents the concentration of ultimate discharge into the environment, while the discharge standards stipulated in the pollutant discharge license are COD \leq 120 mg/L, ammonia nitrogen \leq 35 mg/L. The boiler emission follows the pollutant discharge standard in Schedule 2 of Emission Standard of Air Pollutants for Boiler (《鍋爐大氣污染物排放標準》) (GB 13271-2014). The limits of non-methane hydrocarbon detection results refer to Emission Standard of Volatile Organic Compounds for Industrial Enterprises (《工業企業揮發性有機物排放標準》) (DB35/1782-2018).

Treatment of pollutants:

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. The COD concentration and ammonia nitrogen of untreated wastewater were 2,000 mg/L and 400 mg/L respectively; the COD concentration and ammonia nitrogen were lowered to 47.508 mg/L and 8.934 mg/L after treatment, with the removal rate as high as 97.8%. Treated sewage that reaches the grade II discharge standard is directly discharged into Minjiang River. The hazardous waste of the company is entrusted to qualified companies for compliant disposal according to the requirements of environmental impact assessment and acceptance inspection opinions. Two 4-tonne coal-fired boilers were eliminated and one 12-tonne biomass-fired special boiler was replaced. The boiler exhaust treatment facilities were upgraded, with the high-efficiency waste gas treatment facility of "SNCR denitrification + cyclone dust removal + dry desulfurization + bag dust removal + wet desulfurization" adopted. VOCs adopted the recycling process of "sealed collection + spray absorption + low-temperature condensation + activated carbon adsorption", and volatile organic compounds are collected and recycled from unorganized emissions and then discharged in an organized manner through exhaust pipes, so as to reduce the emission of unorganized exhaust pollutants.

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. The existing pollutant discharge license was applied on 26 November 2020 with a validity period from 29 December 2020 to 28 December 2025.

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》) 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)". The third amendment of the contingency plan was made in June 2023, which passed expert review and completed filing (File No.: 350922-2023-012-M).

According to the plan, the company conducted an emergency drill for sudden hydrochloric acid leakage on 9 August 2023, to train the emergency teams to take immediate, quick, effective and orderly emergency rescue actions after the occurrence of environmental emergency incidents, so as 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.

Investment in environmental governance and protection and payment of environmental protection tax:

In 2023, RMB3.00 million was invested in replacing and upgrading boilers and the boiler waste gas treatment facilities to improve efficiency and save energy consumption, reduce the emission concentration of waste gas pollutants, and reduce the total amount of pollutant discharge; in the first half of 2024, RMB14,917.93 of environmental protection tax was paid.

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 April 2024, a qualified third party was engaged to complete the leakage detection and repair (LDAR) work of volatile organic compounds and relevant reports were obtained. Soil and groundwater self-monitoring was completed in November 2023. The monitoring results was recorded in the Qinqing service platform (親清服務平台). Information publicity website: <https://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) Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)

Details of industry discharge standards and pollutant discharge involved in production and operation activities:

Name of company or subsidiary	Type of major pollutants and specific pollutants	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 Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Water pollutant	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	13.00	110	1.8298	Nil	Nil
	Water pollutant	Ammonia nitrogen				0.4174	15	0.0604	Nil	Nil

Policies and industry standards relating to environmental protection:

The production process of Limin Factory is required to comply with the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), the Air Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), the Solid Waste Pollution Prevention and Control Law of the PRC (《中華人民共和國固體廢物污染環境防治法》), the Integrated Wastewater Discharge Standard of the PRC National Standard (《中華人民共和國國家標準污水綜合排放標準》) (GB 8978-1996), the Emission Standard of Air Pollutants for Boiler (《鍋爐大氣污染物排放標準》) (GB 13271-2014), the Measures for Pollutant Discharge Permitting Administration (Trial Implementation) (《排污許可管理辦法(試行)》) and other laws, regulations and industry standards. 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 ≤ 110 mg/L, ammonia nitrogen ≤ 15 mg/L, while the data detected by third party inspection firm was adopted as the discharge concentration.

Treatment of pollutants:

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 1,500 t/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. The key pollution indicators are chemical oxygen demand and ammonia nitrogen; the concentrations at water inlets were 364.4 mg/L and 1.054 mg/L respectively from January to June 2024, while the average discharge concentrations at water outlets were 13.00 mg/L and 0.4174 mg/L respectively, far lower than the relevant limits stipulated in the pollutant discharge license and the removal rates reached 96.43% and 60.40% respectively. 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. The key pollution indicators are sulfur dioxide, nitrogen oxides and particulate matter. The emission concentrations were 0 mg/m³, 84.6 mg/m³ and 2.26 mg/m³ respectively from January to June 2024, far lower than the relevant limits stipulated in the pollutant discharge license. In respect of control of noise pollution, investment was made to construct noise segregation wall to reduce noise pollution.

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) Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠) *(continued)*

Environmental protection administrative licensing:

The company strictly enforced the “Three Simultaneous” system and implemented various environmental protection measures under the requirements of the environmental impact assessment, ensuring normal operation of the environmental protection facilities. 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. It was recognized as a green enterprise in the environmental credit rating by Shaoguan Municipal Ecology and Environment Bureau consecutively from 2019 to 2022. 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. The national pollutant discharge license was renewed on 22 December 2023 with a validity period from 22 October 2021 to 21 October 2026. The Environmental Impact Assessment Report on Current Status of Livzon Group Limin Pharmaceutical Manufacturing Factory (《麗珠集團利民製藥廠現狀環境影響評價報告》) was approved by expert review on 28 December 2023.

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. An environmental accident emergency drill was conducted regularly, 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 a 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.

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) Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠) *(continued)*

Investment in environmental governance and protection and payment of environmental protection tax:

From January to June 2024, RMB0.0012 million of environmental protection tax was paid; the cost of environmental inspection of the plant area in the year was RMB0.07 million; the cost of operation and maintenance of the online monitoring system was RMB0.0867 million, the renovation cost of the boiler waste gas outlet sampling platform was RMB0.11 million, and the certification exam fee for wastewater operators was RMB0.0044 million. From January to June 2024, the amount of investment in environmental governance and protection and environmental protection tax totaled approximately RMB0.2723 million.

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 once a quarter, boiler waste gas monitoring once a month and R&D Center VOCs waste gas monitoring once half a year, 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.

(6) Pharmaceutical Factory

Details of industry discharge standards and pollutant discharge involved in production and operation activities:

Name of company or subsidiary	Type of major pollutants and specific pollutants	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	Water pollutant	Chemical oxygen demand	Intermittent	1	Sewage treatment station	17.89	120	1.09	Nil	Nil
	Water pollutant	Ammonia nitrogen		1	Sewage treatment station	0.12	20	0.008	Nil	Nil

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)*

Policies and industry standards relating to environmental protection:

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 water pollutant discharge concentration limits for newly-built enterprises of the Discharge Standard of Water Pollutants for Pharmaceutical Industry Mixing/Compounding and Formulation Category (《混裝製劑類製藥工業水污染物排放標準》) (GB 21908-2008), water pollutant discharge concentration limits for newly-built enterprises of the Discharge Standards of Water Pollutants for Pharmaceutical Industry Bio-pharmaceutical Category (《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 Discharge Limits of Water Pollutants (《水污染物排放限值》) (DB 44/26-2001) of Guangdong Province.

Treatment of pollutants:

The “Three Wastes” were collected and treated effectively by the Pharmaceutical Factory. 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 1,000 t/d, which adopted the CASS process for phase I and the A/O process for phase II. The indicator of treated wastewater was approximately 50% of the emission limit and the sewage after treatment was discharged into sewage treatment plants through the municipal pipeline network. For waste gas: the company used purchased steam instead of self-produced steam from the boilers, greatly reducing air emissions (sulfur dioxide, nitrogen oxides). The waste gas of the wastewater treatment stations is treated by the biological deodorization tower, which is a combined odor treatment equipment, divided into three areas: biochemical area, physicochemical area and adsorption area. The biological deodorization in biochemical area mainly uses microorganisms to deodorize, and the odorous substances are transformed through the physiological metabolism of microorganisms, so that the target pollutants are effectively decomposed and removed to achieve the purpose of waste gas treatment.

Environmental protection administrative licensing:

The Environmental Impact Report Form for the Newly-added Wet Granulation Line Project P07 of Livzon Group Livzon Pharmaceutical Factory (《麗珠集團麗珠製藥廠P07新增濕法製粒線項目環境影響報告表》) was approved on 18 May 2022. The Environmental Impact Report Form for New Boilers and Boiler Low-nitrogen Transformation Project (《新增鍋爐及鍋爐低氮改造項目環境影響報告表》) was approved on 19 August 2022. The company will strictly enforce the “Three Simultaneous” system to implement the environmental protection measures as required by the environmental assessment. The Expansion Project for Production Line of Lyophilized Powder Injection of Livzon Group Livzon Pharmaceutical Factory (《麗珠集團麗珠製藥廠凍乾粉針劑生產線擴建項目》) completed its independent acceptance in June 2022, and the Small-capacity Workshop Construction Project of Livzon Group Livzon Pharmaceutical Factory (《麗珠集團麗珠製藥廠小容量車間建設項目》) completed its independent acceptance in August 2022. The Environmental Impact Report on the Construction Project of Recombinant Human Follicle Stimulating Hormone Injection Pen Production Line (《重組人促卵泡素注射筆生產線建設項目環境影響報告書》) was approved on 11 July 2023. Pharmaceutical Factory reapplied the pollutant discharge permit in January 2024, which is valid from 5 January 2024 to 4 January 2029. The New Boilers and Boiler Low-nitrogen Transformation Project of Livzon Group Livzon Pharmaceutical Factory (《麗珠集團麗珠製藥廠新增鍋爐及鍋爐低氮改造項目》) passed the independent acceptance in December 2023.

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 prepared by Pharmaceutical Factory, and has been approved for filing approval and announced, with the filing number 440404-2021-0212-L. The Pharmaceutical Factory conducted a special emergency response drill for hazardous waste leakage on 29 March 2024, to train the emergency response team and enhance the emergency response and execution abilities of the staff, 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. On 13 June 2024, a comprehensive drill for alcohol leakage and fire accidents was conducted in the dangerous goods warehouse in conjunction with the fire department. The drill tested the reliability of the fire water supply system and alarm system of Livzon Industrial Park, as well as the response speed of the main department of the hazardous chemicals warehouse, the volunteer fire brigade, and the emergency command center.

Investment in environmental governance and protection and payment of environmental protection tax:

In the first half of 2024, the investment in environmental governance and environmental protection was RMB0.2 million. The Pharmaceutical Factory has paid an environmental protection tax of RMB55.45 in the first half of 2024. Since the wastewater caused by the production of the Pharmaceutical Factory is treated at the sewage station and then discharged to the Pingsha Sewage Treatment Plant (平沙污水處理廠) instead of being discharged directly to the environment; therefore, the wastewater of the Pharmaceutical Factory is not subject to environmental protection tax. The current environmental protection tax was only related to the waste gas projects.

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. All test indicators were normal in 2024.

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

Details of industry discharge standards and pollutant discharge involved in production and operation activities:

Name of company or subsidiary	Type of major pollutants and specific pollutants	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	Water pollutant	Chemical oxygen demand	Continuous	1	Sewage treatment workshop on north side of factory zone	108.00	200	62.03	Nil	Nil		
	Water pollutant	Ammonia nitrogen				0.60	25	0.38	Nil	Nil		
	Air pollutant	Sulphur dioxide				1	Boiler workshop on north side of factory zone	85.00	200	41.49	156.816	Nil
	Air pollutant	Nitrogen oxides						132.00	200	63.47	156.816	Nil
	Air pollutant	Particulate matter						5.00	30	3.14	23.522	Nil
	Air pollutant	Volatile organic compounds						13.00	100	9.07	79.535	Nil

Policies and industry standards relating to environmental protection:

The company's 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") (COD ≤ 200 mg/m³, ammonia nitrogen ≤ 25 mg/m³), the standard adopted for discharge was the standard stipulated in the pollutant discharge license of the company (protocol standard) 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. The air emission concentration of boilers represents the self-monitoring average concentration throughout the year, the standard adopted for discharge was the emission limits of coal-fired boilers in Schedule 3 of Emission Standard of Air Pollutants for Boiler (《鍋爐大氣污染物排放標準》) (GB 13271-2014) (sulfur dioxide ≤ 200 mg/m³, nitrogen oxides ≤ 200 mg/m³, particulate matter ≤ 30 mg/m³) and Standard for Pollution Control on Hazardous Waste Incineration (《危險廢物焚燒污染物控制標準》) (GB 18484-2020), and the amount of sulfur dioxide, nitrogen oxides, and particulate matter 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 Emission Standard of Air Pollutants 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)*

Treatment of pollutants:

Through strict enforcement of the "Three Simultaneous" system by the company, the "Three Wastes" were collected and treated effectively. The designed total processing capacity of sewage treatment was 7,500 m³/d, and the actual total treatment amount was 2,800 m³/d. After the treated sewage had reached the standard stipulated on the pollutant discharge licence, it would be discharged into Xin'an Company through the sewage pipeline network in the industrial park. Waste gas treatment: waste gas from refining workshops was adopted the treatment process of "sodium hypochlorite spray + water spray + two-way superoxide water spray + micro-nano bubble spray"; waste water treatment tank odor was adopted the treatment process of "three-level spray absorption (level 1: alkaline water spray absorption + level 2: sodium hypochlorite spray absorption + level 3: sulfuric acid spray absorption); 1 set of RTO (regenerative thermal oxidizer) waste gas treatment facility adopts incineration method; boiler exhaust gas was adopted the treatment process of "bag dust removal + double alkali desulfurization + alkaline water spraying and demisting". General solid waste such as slag was entrusted to qualified companies for landfill disposal; phenylalanine slag was outsourced for recycling disposal; and spent activated carbon generated from Lovastatin (洛伐他汀) and Mevastatin (美伐他汀) and other products was outsourced for recycling disposal. The hazardous wastes were entrusted to qualified units for disposal. In the first half of 2024, the following pollution prevention measures were mostly completed: 1. exhaust gas recovery and treatment for the primary settling tank in the sewage treatment workshop: mainly re-sealing the water-sealed groove of the primary settling tank cover, and adding a new air blower with a treatment capacity of 10,000 m³/h on top of the original collection and treatment capacity of 3,000 m³/h; 2. added exhaust gas collection equipment in the sludge pressing room: mainly adding the DN200~600 fiberglass exhaust gas collection pipes with a length of approximately 100 meters, and a new air blower with a capacity of 35,000 m³/h to collect and treat the exhaust gas; 3. completed the construction of environmental protection "Three Simultaneous" exhaust gas collection and treatment facilities for the tryptophan project and demeclocycline hydrochloride project; 4. set up dike for the tryptophan mother liquor storage tank and phenylalanine concentrate storage tank.

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 protection administrative licensing:

The renewal application for the discharge license was completed in December 2020 and the license is valid until 28 December 2025. 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 implemented the environmental protection measures as required by environmental assessment, and the environmental protection facilities were in normal operation. In 2023, the company passed the recognition of "Green Factory" at the Ningxia Autonomous Region level, completed the environmental compliance procedures related to the use of phenylalanine mother liquor and concentrated waste liquid of lovastatin as organic fertilizer raw materials, identified the hazardous waste such as sludge and lovastatin slag, completed and accepted for environmental protection of the phenylalanine production capacity increase project (苯丙產能增加項目), fulfilled the project approval and environmental assessment procedures for tryptophan and isoleucine project (色氨酸異亮氨酸項目). In the first half of 2024, the company completed the filing for inter-provincial transfer and utilization of solid waste and the handling the environmental impact assessment approval for the demeclocycline hydrochloride project.

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 a 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 2021 (File No.: 640221-2021-054-H). The Environmental Emergency Contingency Plan was revised in May 2024.

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)*

Investment in environmental governance and protection and payment of environmental protection tax:

The flue gas emission fee was RMB1.32 million in the first half of 2024; the wastewater discharge fee was RMB3.9 million in the first half of 2024; the general solid waste disposal fee was RMB1.10 million in the first half of 2024; the hazardous waste disposal fee was RMB0.013 million in the first half of 2024. In the first half of 2024, approximately RMB0.8 million was invested in environmental protection management, including: approximately RMB0.35 million for the addition of a primary settling tank in the sewage workshop and exhaust gas collection facilities in the sludge pressing room; RMB0.43 million for the exhaust gas collection and treatment facilities for the tryptophan and demeclocycline hydrochloride projects; RMB0.02 million for the anti-leakage dike for storage tanks.

Environmental self-monitoring program:

The company formulated the self-monitoring program, 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 (《全國污染源監測數據管理與共享系統》) 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》). From September 2023, in accordance with the requirements of the Environmental Protection Bureau, the monthly detection of heavy metal pollution factors in the exhaust gas of hazardous waste from boiler incineration has been increased. The leakage detection and repair (LDAR) work of volatile organic compounds was carried out. The automated monitoring equipment 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. In the first half of 2024, the company carried out self-monitoring and leakage detection and repair (LDAR) work as required.

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

Details of industry discharge standards and pollutant discharge involved in production and operation activities:

Name of company or subsidiary	Type of major pollutants and specific pollutants	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
Jiaozuo Hecheng	Water pollutant	Chemical oxygen demand	Continuous	1	Master outlet in industrial wastewater workshop	87.44	220	3,445	60.8	Nil
	Water pollutant	Ammonia nitrogen				5.2	35	0.154	8.8	Nil

Policies and industry standards relating to environmental protection:

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. Replacement of hazardous waste signs and labels in pipelines follows the latest Technical Specification for Setting Identification Signs of Hazardous Waste (《危險廢物識別標誌設置技術規範》).

Treatment of pollutants:

The “Three Wastes” were collected and treated effectively by the company in strict compliance with the “Three Simultaneous” system. The designed sewage treatment capacity was 3,000 t/d, the treatment process of “hydrolytic acidification pool + UASB + aerobic pool + materialized treatment” was adopted, the treated sewage would be discharged into the sewage treatment plant of Xiuwu Branch of Kangda Water Co., Ltd. (康達環保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. In 2024, 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). For waste gas: In 2024, high and low concentration exhaust gasses in the workshop were treated separately to reduce the load on active carbon treatment and improve efficiency. The process for treating high concentration exhaust gasses was “spray + activated carbon + spray + RTO incineration” and “-20 °C condensation + dichloride module + spray + activated carbon + spray + RTO incineration”, while the process for treating low concentration exhaust gasses was “two-stage spray + RTO incineration. Biogas pipelines were added in the RTO to increase biogas as fuel for the RTO, while achieving linkage switching with the original natural gas pipelines to reduce natural gas consumption. Solid waste and hazardous waste would be temporarily 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 Guidelines for Standardized Management of Hazardous Waste in Henan Province (Trial Implementation) (《河南省危險廢物規範化管理工作指南(試行)》) and then handed over to a qualified unit for unified disposal. In 2024, the company entered into hazardous waste disposal contracts with qualified units, including a Hazardous Waste Disposal Contract for Waste Filter Paper with Qinyang BBMG Jidong Environmental Protection Technology Co., Ltd. (沁陽金隅冀東環保科技有限公司); a Hazardous Waste Disposal Contract for Distillation Residue, Laboratory Waste Liquid, and Waste Activated Carbon with Sanmenxia Zhongdan Environmental Protection Technology Co., Ltd.* (三門峽中丹環保科技有限公司); and a Hazardous Waste Disposal Contract for Waste Mineral Oil with Henan Jiexiang New Energy Technology Co., Ltd.* (河南嘉祥新能源科技有限公司). In January 2024, a Self-Monitoring and Automatic Monitoring Equipment Comparison Contract was signed with Henan Chenjie Inspection Technology Co., Ltd. (河南晨頡檢驗技術有限公司) to regularly monitor the company’s discharge outlets.

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 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 reapplication for the national pollutant discharge license was completed in May 2024, and the certificate was issued by the Municipal Ecology and Environment Bureau. The environmental protection policies were strictly enforced and various management tasks were implemented. In 2024, a self-inspection was carried out in accordance with the Technical Standards for the Unorganized Emission Control of Air Pollutants of Jiaozuo City (《焦作市大氣污染物無組織排放控制技術規範》). In March 2023, the current round of clean production audit work was kicked off, and the final meeting was held on 4 January 2024, completing the clean production audit.

Environmental emergency contingency plan:

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 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》) and 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》) were revised in June 2024, and have currently passed expert review and are pending filing. Identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on a 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.

Investment in environmental governance and protection and payment of environmental protection tax:

In the first half of 2024, environmental governance and environmental protection investment costs of RMB1.1083 million and environmental protection tax of RMB966.55 were generated by Jiaozuo Hecheng.

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 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 for the first half of 2024 was completed in May 2024. At the request of Livzon Group, the leakage detection of natural gas pipelines was also carried out, and a test report was issued. 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 has installed non-methane hydrocarbon online monitoring equipment for waste gas. The company carried out regular monitoring in strict compliance with the requirements of the established self-monitoring scheme every year, which focused primarily on organized emissions of waste gas, wastewater, diffusive environmental air and noise at plant boundary.

(9) Shanghai Livzon

Details of industry discharge standards and pollutant discharge involved in production and operation activities:

Name of company or subsidiary	Type of major pollutants and specific pollutants	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	Water pollutant	Chemical oxygen demand	Intermittent	1	Master outlet in the park	0.54	500	0.43	6.1738	Nil
	Water pollutant	Ammonia nitrogen				0.175	40	0.14	0.8747	Nil
	Air pollutant	Volatile organic compounds	Organized intermittent discharge	8	No. 1, 2, 3, 4, 7, 8, 9 and 10 outlets on the roof	3.52	60	0.12	0.88325	Nil

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)*

Policies and industry standards relating to environmental protection:

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 Emission Standard of Air Pollutants 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 Integrated Wastewater Discharge Standard (《污水綜合排放標準》) (DB 31/199-2018). Air pollutants discharge follows Emission Standard of Air Pollutants for Pharmaceutical Industry (《製藥工業大氣污染物排放標準》) (DB 31/310005-2021), Integrate Emission Standards of Air Pollutants (《大氣污染物綜合排放標準》) (DB 31/933-2015) and Emission Standards for Odor Pollutants (《惡臭(異味)污染物排放標準》) (DB 31/1025-2016). Water pollutant discharge follows the The Discharge Standard of Pollutants for Bio-Pharmaceutical Industry (《生物製藥行業污染物排放標準》) (DB 31/373-2010). Shanghai Livzon was among other key pollutant discharge units, but not among the key pollutant discharge units of water environment and atmospheric environment.

Treatment of pollutants:

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. In order to meet the regulatory requirements under the new environmental impact assessment (at least one emission reduction measure to be replaced with a new one), the 4# exhaust stack was upgraded in March 2023, upgrading the secondary activated carbon adsorption equipment and the monitoring platform processing equipment.

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)*

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 renovation of powder injection workshop 2 had completed in 2022, with the Environmental Impact Statement of Construction Project (《建設項目環境影響報告表》) filed in October 2022 and the Approval Opinion of Shanghai Pudong New Area Ecological Environment Bureau on the Environmental Impact Statement of the Reconstruction and Expansion Project of Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (《上海市浦東新區生態環境局關於上海麗珠製藥有限公司改擴建項目環境影響報告表的審批意見》) obtained in March 2023. 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. The new Pollutant Discharge License was obtained on 30 May 2023 with a validity period until 29 May 2028.

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.

Investment in environmental governance and protection and payment of environmental protection tax:

Investment in environmental governance and protection: upgrading and transformation of 4# exhaust stack and upgrading of the secondary activated carbon adsorption equipment and the monitoring platform processing equipment. The company paid environmental protection tax of RMB220.28 in the first half of 2024. The company recorded hazardous waste disposal fee of RMB0.7107 million, environmental monitoring fee of RMB0.0648 million, exhaust stack upgrade cost of RMB0.043 million and sewage treatment cost of RMB0.5965 million in the first half of 2024.

Environmental self-monitoring program:

In accordance with the relevant requirements of the Self-Monitoring Technology Guidelines for Pollution Sources—General Rule (《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 2024, the company monitors main air emission outlets once a month, common discharge outlets once half a year, noise once a quarter and wastewater once a month. The monitoring items and frequency shall meet the requirements of the pollutant discharge license. The other three enterprises in the park and the third-party sewage treatment company in the park enter into an agreement to install an online monitoring comparator at the main discharge outlet for effective monitoring of sewage discharge.

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

Details of industry discharge standards and pollutant discharge involved in production and operation activities:

Name of company or subsidiary	Type of major pollutants and specific pollutants	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	Water pollutant	Chemical oxygen demand	Intermittent	1	Sewage treatment station	17.89	120	0.59	Nil	Nil
	Water pollutant	Ammonia nitrogen		1	Sewage treatment station	0.12	20	0.00399	Nil	Nil

Policies and industry standards relating to environmental protection:

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 water pollutant discharge concentration limits for newly-built enterprises of the Discharge Standard of Water Pollutants for Pharmaceutical Industry Mixing/Compounding and Formulation Category (《混裝製劑類製藥工業水污染物排放標準》) (GB 21908-2008), water pollutant discharge concentration limits for newly-built enterprises of the Discharge Standards of Water Pollutants for Pharmaceutical Industry Bio-pharmaceutical Category (《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 Discharge Limits of Water Pollutants (《水污染物排放限值》) (DB 44/26-2001) of Guangdong Province.

Treatment of pollutants:

The “Three Simultaneous” system was strictly implemented by Livzon MAB 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 1,000 t/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 protection administrative licensing:

The Environmental Impact Assessment Report on the V01 Industrialization Project of Livzon Group Livzon Pharmaceutical Factory (《關於麗珠集團麗珠製藥廠V01產業化項目環境影響評價報告書》) 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 September 2023. 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 Livzon MAB in 2022. In April 2023, the company conducted an emergency drill for hazardous waste leakage in the hazardous goods warehouse to enhance emergency response capabilities of staff, so as to alleviate or eliminate the impact of the consequences.

Investment in environmental governance and protection and payment of environmental protection tax:

Livzon MAB commissions a qualified company, Songmao Pest Control (松茂蟲控) for effective pest prevention and control of its plant; the plant is equipped with waste gas emission treatment facilities; environmental protection tax of RMB70 was paid in 2023.

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.

In addition to the above disclosures, please refer to the periodic reports disclosed by the Company in previous years for relevant information.

2. Administrative penalties imposed on the Company and its subsidiaries for environmental issues during the Reporting Period

Applicable Not Applicable

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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; upgraded the three-phase asynchronous motors and frequency converters of the original operating fermentation tanks to permanent magnet vertical direct-drive motors and supporting automatic control systems, achieving a power saving rate of around 16%, and effectively reducing energy consumption; replaced 8 high-energy-consuming, low-efficiency water pump equipment, and reasonably selected high-efficiency energy-saving water pumps and energy-saving motors based on actual operating conditions, achieving a power saving rate of over 20%; 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	Used photovoltaic power generation to reduce power consumption. Replaced the original Roots blower with a magnetic levitation blower. Compared to traditional blowers, the new magnetic levitation blower is more energy-efficient due to the absence of mechanical friction. Replaced the existing 8-ton old boiler with a new low-nitrogen 3-ton boiler to improve the efficiency of natural gas utilization and reduce natural gas consumption. Launched a waste heat recovery project for air compressors, using technological modifications to utilize the waste heat from air compressors to heat the boiler soft water, and replacing the original steam heating method for soft water, thus reducing the consumption of steam and natural gas. Used LED lights to reduce power consumption, and raising employees’ awareness in power conservation and safety; promoted to set the temperature of the air conditioner to not lower than 26 °C; promoted green travels, encouraged the use of public transportation when going out to work, and set up shuttle buses to transport employees to and from work thereby reducing the use of private cars.
Livzon Hecheng	Upgraded the sewage treatment process from the CASS (Cyclic Activated Sludge System) process to the MBR (Membrane Bioreactor) process to reduce energy consumption for sewage treatment. It is estimated that this will save 700,000 kWh of electricity annually. The existing boiler was replaced with a new one, which is equipped with an additional waste heat recovery system to reduce energy consumption through waste heat recovery. Replaced sewage treatment Roots blowers in the environmental protection center with magnetic levitation blowers with an energy saving rate of about 30%, saving about 0.21 million 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.

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
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; replaced a 100 m ³ /min air suspension blower and three 55 KW Roots air compressors to reduce power consumption and on-site noise; 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	<ol style="list-style-type: none"> 1. Installed an online remote automatic data monitoring system in the boiler room to analyze and judge the instantaneous flow rate monitoring of the flowmeter in the boiler room, checked whether the steam traps and exhaust valves in the factory were in sound condition, and thereby reduced the waste of steam. The average steam loss in the public pipelines of the factory was 15.6%. The steam loss was reduced to 11% via the relevant renovation of steam pipelines and it was expected that 1,242 tons of steam could be saved thereby; 2. The steam pipelines in the animal room of the R&D center were re-insulated and the steam traps were remodeled to prevent the occurrence of long-time steam exhaust due to the failure of water valves; 3. In the first and second traditional Chinese medicine extraction workshops, a total of 23 drainage devices were added to all condensate drainage pipelines with steam heating equipment to realize automatic drainage and improve the utilization rate of steam. It was expected that approximately 100 tons of steam could be saved thereby per year; in the first and second traditional Chinese medicine extraction workshops, the cooling method of purified water circulation system was changed from cooling by drinking water to cooling by recycled chilled water in order to reduce the consumption of drinking water. It was expected that the consumption of water could be thereby reduced by approximately 3,000 tons per year; 4. In the first traditional Chinese medicine extraction workshop, the existing n-butanol recovery SOP was improved and refined and the powder collection amount of Panax Notoginsenosides-XST was enhanced with an aim to reduce the unit consumption of n-butanol. Based on a production of 20 batches per year, approximately RMB24,800 could be saved per year.

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
Pharmaceutical Factory	<p>Carried out low-nitrogen transformation for boilers to reduce nitrogen oxide emissions; by modifying the compressor, the heat from compression is recovered and reused in the form of hot water, and the recovered heat is used in the hot water circulation system, replacing the original steam heating method for heating the hot water circulation. The energy recovery efficiency can reach up to 90%, saving approximately 210 tons of steam annually. Deployed an efficient chiller plant control system, scientifically guided the rational allocation of resources while ensuring product quality and production safety to meet the management needs at multiple levels of the chiller plant system, and optimized the energy efficiency of the central air-conditioning system, saving approximately 900,000 kWh of electricity annually. Regularly switched on and off the air conditioners in QC, warehouses and other departments according to their needs, which could save about 700 kWh of electricity per day; further strengthened the energy-saving management of functional departments, and advocated employees to turn off the lights during the lunch break, and encouraged them to turn off the lights and shut down their computers when they leave their seats and the office to save electricity.</p>
Ningxia Pharma	<p>By installing new waste heat recovery equipment, the heat generated during the operation of the air compressor is recovered and used to heat water for dormitory and office area heating, as well as the hot water system in 201 workshop, and replacing the original steam-heated water for heating and the workshop hot water system, approximately 11,000 tons of steam can be saved annually. Replaced the original 4 ordinary circulating water pumps in the 103 fermentation workshop with high-efficiency energy-saving pumps, achieving power savings, and saving approximately 1,040,000 kWh of electricity annually. By adding a new high-efficiency air compressor with an air volume of 600 m³/min and power ≤1,800 kW to replace the existing two air compressors with a total air volume of 600 m³/min and power of 2,200 kW, approximately 400 kWh of electricity can be saved per hour. The recycling test of solid waste (slag, sludge) was completed and solid waste would no longer be landfilled when relevant facilities were put into use.</p>

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	<p>Collected and reused steam condense to reduce steam consumption, so as to reduce carbon emissions; replaced the cooling tower packing in the circulating cooling tower workshop to reduce equipment running time and improve cooling efficiency, saving approximately 114,000 kWh of electricity annually. 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; replaced the steam pipeline with the latest drainage valve to replace the old drainage valve to prevent additional steam consumption caused by steam leakage and reduce steam usage. 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.</p>
Shanghai Livzon	<p>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. In order to reduce the air emission concentration and VOCs emissions, double-stage activated carbon was installed to the No. 4 exhaust funnel. After one more step of treatment, both the air emission concentration and the VOCs emissions could be reduced. In order to improve the efficiency of pure water production, the pure water equipment was replaced.</p>
Livzon MAB	<p>Formulated energy-saving and emission reduction measures in accordance with the ESG targets of the Company and made reasonable use of recycled wastewater; introduced purchased steam to reduce steam consumption effectively. 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.</p>

II. 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 + Planters", 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 controlling subsidiary of the Company, has established planting bases in Hunyuan County, Tianzhen County and Yanggao County of Datong City in Shanxi Province and Zizhou County of Yulin City in Shaanxi Province, respectively. During the Reporting Period, Datong Livzon renewed cooperation agreements with 8 cooperatives to continue jointly building astragalus root planting bases in accordance with production requirements of GAP and future development needs, thereby promoting the economic development of the corresponding areas in Datong, Shanxi and Yulin, Shaanxi. At present, all co-built bases of Datong Livzon have been incorporated into the traditional Chinese medicinal materials GAP Production Management Traceability System of Livzon Group Limin Pharmaceutical Manufacturing Factory, and have passed the Guangdong Province traditional Chinese medicinal materials GAP extension inspection.

SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. 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 (顯沙坦膠囊), and Isosorbide Mononitrate Tablets (單硝酸異山梨酯片), etc., which can really help families with patients in remote areas, make it convenient for patients in the regions to take drugs nearby, improve the public’s awareness of chronic disease management, help the families with patients to alleviate medical pressures, facilitate the promotion and implementation of local general practitioner services, and provide timely assistance. Based on actual conditions, we also provide assistance for low-income families with patients in remote regions, which facilitates the local rural revitalization.

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, Songpan County of Ngawa Tibetan and Qiang Autonomous Prefecture, Jinkouhe District of Leshan City, 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, Shandan County and Huining County in Gansu Province, Xianghai national nature reservation in Jilin Province, Macun District of Jiaozuo City in Henan Province, Huangshan District of Huangshan City in Anhui Province, Suining County in Hunan Province, Fenyi County in Jiangxi Province, Zayu County and Bomi County in Xizang Autonomous Region, Kashgar in Xinjiang Uygur Autonomous Region, Balin Left Banner and Tuoketuo County in Inner Mongolia, Ziyuan County in Guangxi Zhuang Autonomous Region and Jiangshan City in Zhejiang 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 the End of the Reporting Period, there were a total of 28 agreements in relation to the Public Welfare Program for Prevention and Treatment of Chronic Diseases, among which 25 were remote areas in need of help, which covered 9 provinces and 4 autonomous regions across the country and helped more than 22,820 low-income chronic patients. In 2024, it is expected to donate drugs to more areas in need.

SECTION VI MAJOR EVENTS

I. UNDERTAKINGS FULFILLED DURING THE REPORTING PERIOD OR NOT YET FULFILLED AS AT THE END OF THE REPORTING PERIOD BY THE PARTIES TO THE UNDERTAKINGS SUCH AS THE DE FACTO CONTROLLER, SHAREHOLDERS, RELATED PARTIES, PURCHASERS OF THE COMPANY AND THE COMPANY

Applicable Not Applicable

II. LITIGATION MATTERS

Material litigation and arbitration matters

Applicable Not Applicable

During the Reporting Period, the Company did not have any material litigation or arbitration matters.

Other litigation matters

Applicable Not Applicable

As at the End of the Reporting Period, other litigation cases of the Company that have not reached the standard for disclosure as material litigation involved a total amount of RMB10.5664 million.

III. MATTERS RELATED TO BANKRUPTCY REORGANISATION

Applicable Not Applicable

IV. INFORMATION ON NON-OPERATING USE OF FUNDS OF THE LISTED COMPANY BY CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES

Applicable Not Applicable

During the Reporting Period, there was no non-operating use of funds of the listed company by the controlling shareholders and other related parties of the Company.

SECTION VI MAJOR EVENTS

V. EXPLANATION ON CHANGES IN THE SCOPE OF CONSOLIDATION IN COMPARISON WITH THE FINANCIAL STATEMENTS FOR THE PREVIOUS ACCOUNTING PERIOD

Applicable Not Applicable

During the Reporting Period, the scope of consolidated financial statements of the Company was changed with 2 newly established controlling subsidiaries and 1 controlling subsidiary deregistered. For details, please refer to "2. Subsidiaries acquired and disposed of during the Reporting Period of VIII. ANALYSIS OF MAJOR CONTROLLED AND INVESTED COMPANIES in Section III MANAGEMENT DISCUSSION AND ANALYSIS" of the Report.

VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

The 2023 annual general meeting of the Company considered and approved the re-appointment of Grant Thornton (Special General Partnership) as the auditor of the Company for the year 2024.

Whether the interim financial report has been audited

Yes No

The interim report of the Company has not been audited.

VII. PUNISHMENT AND RECTIFICATION

Applicable Not Applicable

During the Reporting Period, the Company was not subject to any punishment or rectification.

VIII. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

Applicable Not Applicable

Neither the Company nor its controlling shareholder or de facto controller has failed to comply with any effective court rulings or has failed to repay any substantial debts when they fall due.

SECTION VI MAJOR EVENTS

IX. 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	Description of related transaction	Pricing principle of related transaction	Amount of related transaction (RMB'000)	Proportion to	Whether the approved amount is exceeded	Settlement method of related transaction
						transaction amount of the same category		
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	166.09	0.15%	No	Settled through banks
Joincare Pharmaceutical Group Industry 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	28.90	0.03%	No	Settled through banks
Jiangsu Yiyingjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技股份有限公司)	Company controlled by a Director of the Company	Purchase of goods	Finished products	Determined by negotiation based on market price	2.98	0.00%	No	Settled 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	Purchase of goods	Raw materials	Determined by negotiation based on market price	10,421.27	9.11%	No	Settled through banks
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	718.38	0.63%	No	Settled through banks
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Raw materials	Determined by negotiation based on market price	18.72	0.02%	No	Settled through banks
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	Receipt of services	R&D services	Determined by negotiation based on market price	706.11	3.05%	No	Settled through banks
Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Receipt of services	R&D services	Determined by negotiation based on market price	239.77	1.03%	No	Settled 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	Receipt of services	Water, electricity and power	Determined by negotiation based on market price	1,526.67	6.59%	No	Settled 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	1,275.49	5.51%	No	Settled 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	1,369.91	0.22%	No	Settled through banks

SECTION VI MAJOR EVENTS

IX. 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	Description of related transaction	Pricing principle of related transaction	Amount of related transaction <i>(RMB'000)</i>	Proportion to	Whether the amount is exceeded	Settlement method of related transaction
						transaction amount of the same category		
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	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	174.47	0.03%	No	Settled through banks
Joincare 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	190.63	0.03%	No	Settled 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	0.12	0.00%	No	Settled through banks
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	Finished products	Determined by negotiation based on market price	0.13	0.00%	No	Settled 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	236.78	22.87%	No	Settled through banks
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	Provision of services	R&D services	Determined by negotiation based on market price	283.20	27.35%	No	Settled 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	8.00	0.77%	No	Settled through banks
Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Provision of services	Processing fee	Determined by negotiation based on market price	450.84	43.54%	No	Settled 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 fee	Determined by negotiation based on market price	15.01	1.45%	No	Settled through banks
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	Water, electricity and power	Determined by negotiation based on market price	11.13	1.07%	No	Settled through banks
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	Water, electricity and power	Determined by negotiation based on market price	30.57	2.95%	No	Settled 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	1.93	1.28%	No	Settled through banks

SECTION VI MAJOR EVENTS

IX. 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	Description of related transaction	Pricing principle of related transaction	Amount of related transaction (RMB'000)	Proportion to	Whether the amount is approved	Settlement method of related transaction
						transaction amount of the same category		
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	12.65	8.42%	No	Settled through banks
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	1.37	0.91%	No	Settled through banks
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	Buildings	Determined by negotiation based on market price	94.86	63.14%	No	Settled through banks
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	Buildings	Determined by negotiation based on market price	12.00	7.99%	No	Settled through banks
Joincare Pharmaceutical Group Industry 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	1.65	0.99%	No	Settled 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	25.07	15.00%	No	Settled through banks
Total					18,024.70	-	-	-

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 Reporting Period, the total amount of related transactions conducted by the Company in the ordinary course of business was RMB180.2470 million. Among which, the related transactions conducted in the ordinary course of business with Joincare, the controlling shareholder, and its subsidiaries amounted to approximately RMB159.2578 million, representing 25.24% of the projected amount (RMB631.0500 million) approved by the Board of the Company; the related transactions conducted in the ordinary course of business with Blue Treasure Pharma amounted to approximately RMB17.7278 million, representing 33.26% of the projected amount (RMB53.3000 million) approved by the Board of the Company; the related transactions conducted in the ordinary course of business with Sanmed Biotech and Sanmed Gene amounted to RMB1.4869 million, representing 35.83% of the projected amount (RMB4.1500 million) approved by the Board of the Company; the related transactions conducted in the ordinary course of business with Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司) and its subsidiaries in aggregate amounted to RMB1.7447 million, representing 38.77% of the projected amount (RMB4.5000 million) approved by the Board of the Company; and the related transactions conducted in the ordinary course of business with Jiangsu Yiyinjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司) amounted to RMB0.0298 million, representing 0.72% of the projected amount (RMB4.1500 million) approved by the Board of the Company. The above related transactions have not exceeded the projected amount approved.

Reason for the significant difference between the transaction price and the reference market price (if applicable) Not applicable

Note: For details on the above transactions, please refer to the Announcement on Projected Daily Related Transactions for 2024 of Livzon Pharmaceutical Group Inc. (Announcement No.: 2023-124) dated 30 December 2023.

SECTION VI MAJOR EVENTS

IX. 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 assets (RMB'000)	Assessed value of transferred asset (RMB'000) (if any)	Transfer price (RMB'000)	Settlement method of related transaction	Profit or loss of transaction (RMB'000)	Disclosure date	Disclosure index
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 fixed asset	Sale of equipment and plant	Determined by negotiation based on market price	9.16	Not applicable	10.07	Settlement through banks	0.91	Not applicable	Not applicable
Joicare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Technology transfer	Technology transfer	Determined by negotiation based on market price	-	Not applicable	200.00	Settlement through banks	200.00	Not applicable	Not applicable
Reason for the significant difference between transfer price and carrying value or assessed value (if any)							Not applicable				
Effect on the operating results and financial position of the Company							No material impact				
If the relevant transaction involves committed performance results, the performance results achieved during the Reporting Period							Not applicable				

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)
Joicare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	LivzonBio, Inc. (珠海市麗珠生物醫藥科技有限公司)	Research and development, production and sales of pharmaceutical products; Development of medical technology, technology services, technology transfer, technology consultation	109,547.23	77,085.43	-143,468.55	-19,017.98
Progress of the material project under construction (if any) of the investee		Not applicable					

SECTION VI MAJOR EVENTS

IX. SUBSTANTIAL RELATED TRANSACTIONS DISCLOSED PURSUANT TO THE SHENZHEN LISTING RULES *(continued)*

4. Credits and debts with related parties

Applicable Not Applicable

Whether there are non-operating credits and debts with related parties

Yes No

There were no non-operating credits and debts with related parties during the Reporting Period.

5. Other major related transactions

Applicable Not Applicable

For details of other major related transactions, please refer to "X. Connected Transactions Defined Pursuant to the Hong Kong Listing Rules" in the Section V of the Report. Save for the above, the Group had no other major related transactions during the Reporting Period.

6. Transactions with related finance companies and transactions between finance companies controlled by the Company and related parties

Applicable Not Applicable

X. CONNECTED TRANSACTIONS DEFINED PURSUANT TO THE HONG KONG LISTING RULES

1. One-off connected transactions

Connected transactions in relation to reorganization of shareholding structures of controlling subsidiaries

References are 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 Biologics Limited (the "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 Limited, Joicare, Joicare Pharmaceutical Group Industry Co., Ltd, 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 2023 Annual Report of the Company for other related details.

SECTION VI MAJOR EVENTS

X. CONNECTED TRANSACTIONS DEFINED PURSUANT TO THE HONG KONG LISTING RULES *(continued)*

1. One-off connected transactions *(continued)*

Provision of financing guarantees to controlling subsidiary Lijian Animal Healthcare

Reference is made to the announcement dated 13 May 2024 of the Company published on the Company's website and HKEXnews.

On 13 May 2024, in view of the needs of business development of Lijian Animal Healthcare, the Board has considered and approved the provision of joint liability guarantees to several banks (the "Banks") for Lijian Animal Healthcare's applications of facility financing of no more than RMB234.50 million or its equivalent in foreign currencies (the "Lijian Animal Healthcare Guarantees").

The provision of the Lijian Animal Healthcare Guarantees in terms of facilitation of the general operation and business of Lijian Animal Healthcare to be supported by the Lijian Animal Healthcare Facilities, and the Company will benefit from alleviating its capital contribution requirement into Lijian Animal Healthcare and optimising its capital allocation to the other profitable business segments, therefore benefiting the overall business development and financial position of the Group.

In order to ensure the fairness and equity of the Lijian Animal Healthcare Guarantees, Joincare, which directly holds 49% equity interests of Lijian Animal Healthcare, has provided to the Company a "Letter of Undertaking for Counter Guarantee" subject to the approval by its shareholders, pursuant to which it will undertake to provide joint and several guarantees for 49% of the obligation of the Company under the Lijian Animal Healthcare Guarantees (the "Joincare Counter Guarantees"), and the guarantee period of the Joincare Counter Guarantees will be expired on the expiry date of the Company's obligation under the Lijian Animal Healthcare Guarantees.

As the Joincare Counter Guarantees to be provided in relation to the Lijian Animal Healthcare Guarantees by Joincare are on normal commercial terms and will not be secured by the assets of the Group, according to Rule 14A.90 of the Hong Kong Listing Rules, the Joincare Counter Guarantees will be fully exempt from reporting, annual review, announcements, and independent Shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

On 9 May 2024, Joincare directly and indirectly held approximately 45.12% of the total issued share capital of the Company, and Lijian Animal Healthcare is directly held as to 49% by Joincare. Therefore, Lijian Animal Healthcare, an associate of Joincare, is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. As such, the Lijian Animal Healthcare Guarantees constitute connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios (as defined in the Hong Kong Listing Rules) in respect of the Lijian Animal Healthcare Guarantees exceed 0.1% but are less than 5%, the Lijian Animal Healthcare Guarantees are subject to the reporting and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

SECTION VI MAJOR EVENTS

X. CONNECTED TRANSACTIONS DEFINED PURSUANT TO THE HONG KONG LISTING RULES *(continued)*

2. Continuing connected transaction

During the Reporting Period, for the transactions actually conducted between the Group and Joicare (the controlling shareholder) and its subsidiaries which constituted “continuing connected transactions” as defined under Chapter 14A of the Hong Kong Listing Rules, please refer to “IX. SUBSTANTIAL RELATED TRANSACTIONS DISCLOSED PURSUANT TO THE SHENZHEN LISTING RULES – 1. Related transactions in the ordinary course of business” in the Section VI of the Report for relevant information.

Entering into the 2024 Water Electricity Framework Agreement with Joicare

References are made to the announcements dated 29 December 2023 and 15 January 2024 of the Company published on the Company’s website and HKEXnews. On 29 December 2023, the Company and Joicare entered into the 2024 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 2024 to 31 December 2024 with a cap of RMB42.00 million (the “2024 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 29 December 2023, Joicare directly and indirectly owned approximately 45.34% 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 2024 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 2024 Water Electricity Cap were higher than 0.1% but lower than 5%, the transactions contemplated under the 2024 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 2024 Receipt of Labour Services Framework Agreement with Joicare

References are made to the announcements dated 29 December 2023 and 15 January 2024 of the Company published on the Company’s website and HKEXnews. On 29 December 2023, the Company and Joicare entered into the 2024 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 1 January 2024 to 31 December 2024 with a cap of RMB108.00 million (the “2024 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

X. CONNECTED TRANSACTIONS DEFINED PURSUANT TO THE HONG KONG LISTING RULES *(continued)*

2. Continuing connected transaction *(continued)*

Entering into the 2024 Receipt of Labour Services Framework Agreement with Joincare *(continued)*

As at 29 December 2023, Joincare directly and indirectly owned approximately 45.34% 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 2024 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 2024 Receipt of Labour Services Cap were higher than 0.1% but lower than 5%, the transactions contemplated under the 2024 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 2024 Provision of Labour Services Framework Agreement with Joincare

References are made to the announcements dated 29 December 2023 and 15 January 2024 of the Company published on the Company's website and HKEXnews. On 29 December 2023, the Company and Joincare entered into the 2024 Provision of Labour Services Framework Agreement in relation to the continuing connected transactions for provision of labour services by the Group to the Joincare Group for the period from 1 January 2024 to 31 December 2024 with a cap of RMB38.80 million (the "2024 Provision of Labour Services Cap").

The provision of commissioned production of drugs to the Joincare Group can 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 29 December 2023, Joincare directly and indirectly owned approximately 45.34% 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 2024 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 2024 Provision of Labour Services Cap were higher than 0.1% but lower than 5%, the transactions contemplated under the 2024 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 2024 Sales Framework Agreement with Joincare

References are made to the announcements dated 29 December 2023 and 15 January 2024 of the Company published on the Company's website and HKEXnews. On 29 December 2023, the Company and Joincare entered into the 2024 Sales Framework Agreement in relation to the continuing connected transactions for sales of products to the Joincare Group by the Group for the period from 1 January 2024 to 31 December 2024 with an annual cap of RMB99.60 million (the "2024 Sales Cap").

The sale of products to the Joincare Group can effectively utilize part of the idle workshops of the Group, utilize the Group's part of surplus production capacity to optimize the capacity utilization of the production workshops of the Group, and increase the revenue of the Group.

SECTION VI MAJOR EVENTS

X. CONNECTED TRANSACTIONS DEFINED PURSUANT TO THE HONG KONG LISTING RULES *(continued)*

2. Continuing connected transaction *(continued)*

Entering into the 2024 Sales Framework Agreement with Joicare *(continued)*

As at 29 December 2023, Joicare directly and indirectly owned approximately 45.34% 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 2024 Sales 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 2024 Sales Cap were higher than 0.1% but lower than 5%, the transactions contemplated under the 2024 Sales 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 2024 Purchase Framework Agreement with Joicare

References are made to the announcements dated 29 December 2023 and 15 January 2024 of the Company published on the Company's website and HKEXnews. On 29 December 2023, the Company and Joicare entered into the 2024 Purchase Framework Agreement in relation to the continuing connected transactions for purchase of products by the Group from the Joicare Group for the period from 1 January 2024 to 31 December 2024, with an annual cap of RMB331.00 million ("2024 Purchase Cap").

The Group has been continuously expanding its business, it is anticipated that more products and raw materials are needed for the Group's production of pharmaceutical products. Taking into account factors such as the quality, price and supply stability of products and raw materials supplied by Joicare Group and its reputation in the pharmaceutical industry, the continuous purchase of products and raw materials by the Group from the Joicare Group is in the best interest of the Company in response to the Group's business development plan and production needs.

As at 29 December 2023, Joicare directly and indirectly owned approximately 45.34% 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 2024 Purchase 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 2024 Purchase Cap were higher than 0.1% but lower than 5%, the transactions contemplated under the 2024 Purchase 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 2024 Water Electricity Framework Agreement with Livzon MAB

References are made to the announcements dated 29 December 2023 and 15 January 2024 of the Company published on the Company's website and HKEXnews. On 29 December 2023, 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 2024 to 31 December 2024, with a cap of RMB33.00 million (the "2024 Water Electricity Cap"). On the same date, the Company and Livzon MAB entered into the 2024 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

X. CONNECTED TRANSACTIONS DEFINED PURSUANT TO THE HONG KONG LISTING RULES *(continued)*

2. Continuing connected transaction *(continued)*

Entering into the 2024 Water Electricity Framework Agreement with Livzon MAB *(continued)*

As at 29 December 2023, Joicare directly and indirectly owned approximately 45.34% 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 2024 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 2024 Water Electricity Cap was higher than 0.1% but lower than 5%, the transactions contemplated under the 2024 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 2024 Labour Services Framework Agreement with Livzon MAB

References are made to the announcements dated 29 December 2023 and 15 January 2024 of the Company published on the Company's website and HKEXnews. On 29 December 2023, 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 2024 to 31 December 2024, with a cap of RMB42.50 million (the "2024 Labour Services Cap"). On the same date, the Company and Livzon MAB entered into the 2024 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 29 December 2023, Joicare directly and indirectly owned approximately 45.34% 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 2024 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 2024 Labour Services Cap was higher than 0.1% but lower than 5%, the transactions contemplated under the 2024 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

X. CONNECTED TRANSACTIONS DEFINED PURSUANT TO THE HONG KONG LISTING RULES *(continued)*

2. Continuing connected transaction *(continued)*

Entering into the 2024 Leasing Assets Framework Agreement with Livzon MAB

References are made to the announcements dated 29 December 2023 and 15 January 2024 of the Company published on the Company's website and HKEXnews. On 29 December 2023, 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 2024 to 31 December 2024, with a cap of RMB39.00 million (the "2024 Lease Cap"). On the same date, the Company and Livzon MAB entered into the 2024 Leasing Assets Framework Agreement in relation to the above-mentioned continuing connected transactions.

Since Livzon MAB is located inside the production site of Pharmaceutical Factory, a subsidiary of the Company, leasing factories and equipment by Livzon MAB from Pharmaceutical Factory 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 29 December 2023, Joicare directly and indirectly owned approximately 45.34% 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 2024 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 2024 Lease Cap was higher than 0.1% but lower than 5%, the transactions contemplated under the 2024 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.

Entering into the 2024 Purchase Framework Agreement with Livzon MAB

References are made to the announcements dated 29 December 2023 and 15 January 2024 of the Company published on the Company's website and HKEXnews. On 29 December 2023, the Company and Livzon MAB entered into the 2024 Purchase Framework Agreement in relation to the continuing connected transactions for purchasing drugs from Livzon MAB by the Group for the period from 1 January 2024 to 31 December 2024, with an annual cap of RMB76.00 million ("2024 Purchase Cap").

Livzon MAB can leverage the Group's rich experience in the management of sales teams and advantages of sales pipeline layout, fully utilize the Group's existing sales system structure, integrate the Group's internal resources and improve the efficiency of resource use, which enable Livzon MAB to focus its resources on R&D. Therefore, the overall operation performance of the Group can be improved, as Livzon MAB is a controlling subsidiary of the Company.

As at 29 December 2023, Joicare directly and indirectly owned approximately 45.34% 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 2024 Purchase 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 2024 Purchase Cap was higher than 0.1% but lower than 5%, the transactions contemplated under the 2024 Purchase 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

XI. MATERIAL CONTRACTS AND THEIR ENFORCEMENT

1. Custody, contracting and leasing

Custody

Applicable Not Applicable

During the Reporting Period, the Company had no custody items generating gain or loss amounting to more than 10% of total profit of the Company.

Contracting

Applicable Not Applicable

During the Reporting Period, the Company had no contracting items generating gain or loss amounting to more than 10% of total profit of the Company.

Leasing

Applicable Not Applicable

During the Reporting Period, the Company had no leasing items generating gain or loss amounting to more than 10% of total profit of the Company.

2. Major guarantees

Applicable Not Applicable

(1) Guarantees

Credit facility guarantees

Unit: RMB0'000

External Guarantees of the Company and its Subsidiaries (Excluding Guarantees to its Subsidiaries)

Name of guaranteed party	Disclosure date of announcement relating to guaranteed amount	Actual date of event (signing date of agreement)	Actual guaranteed 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 amount of external guarantees actually occurred during the Reporting Period (A2)				-
Total amount of external guarantees approved at the End of the Reporting Period (A3)				-	Total of actual external guaranteed balance occurred at the End of the Reporting Period (A4)				-

SECTION VI MAJOR EVENTS

XI. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(continued)*

2. Major guarantees *(continued)*

(1) Guarantees *(continued)*

Credit facility guarantees *(continued)*

Unit: RMB0'000

the Company's Guarantees to its Subsidiaries										
Name of guaranteed party	Disclosure date of announcement relating to guaranteed amount	Guaranteed amount	Actual date of event (signing date of agreement)	Actual guaranteed amount	Type of guarantee	Security (if any)	Counter guarantee	Period of guarantee	Whether it has been performed	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	2021.12.24	192,961.10	Joint liability guarantee	Nil	Other shareholders of the guaranteed party have provided counter guarantee	2021.12.24-2027.2.3	No	No
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2024.3.29	17,000.00	2020.6.22	365.86	Joint liability guarantee	Nil	Nil	2020.6.22-2024.7.7	No	No
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2024.3.29	11,500.00	2023.8.1	699.69	Joint liability guarantee	Nil	Nil	2023.8.1-2028.7.24	No	No
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2024.3.29	15,000.00	2022.12.6	3,996.25	Joint liability guarantee	Nil	Nil	2022.12.6-2026.6.6	No	No
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2024.3.29	30,000.00	2024.3.22	7,360.05	Joint liability guarantee	Nil	Nil	2024.3.22-2026.6.30	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)	2024.3.29	23,000.00	2023.8.1	10,682.66	Joint liability guarantee	Nil	Nil	2023.8.1-2028.7.24	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)	2024.3.29	10,000.00	2022.12.6	6,236.18	Joint liability guarantee	Nil	Nil	2022.12.6-2026.6.6	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)	2024.3.29	20,000.00	2023.8.28	3,854.18	Joint liability guarantee	Nil	Nil	2023.8.28-2026.6.28	No	No
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2024.3.29	7,475.00	2023.8.1	1,035.16	Joint liability guarantee	Nil	Other shareholders of the guaranteed party have provided counter guarantee	2023.8.1-2028.7.24	No	No
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2024.3.29	10,000.00	2024.1.1	73.89	Joint liability guarantee	Nil	Other shareholders of the guaranteed party have provided counter guarantee	2024.1.1-2026.6.30	No	No

SECTION VI MAJOR EVENTS

XI. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(continued)*

2. Major guarantees *(continued)*

(1) Guarantees *(continued)*

Credit facility guarantees *(continued)*

Unit: RMB0'000

the Company's Guarantees to its Subsidiaries

Name of guaranteed party	Disclosure date of announcement relating to guaranteed amount	Guaranteed amount	Actual date of event (signing date of agreement)	Actual guaranteed amount	Type of guarantee	Security (if any)	Counter guarantee	Period of guarantee	Whether it has been performed	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)	2024.3.29	10,000.00	2024.4.28	518.18	Joint liability guarantee	Nil		2024.4.28-2026.6.30	No	No
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2024.3.29	23,000.00	2023.8.1	15,481.99	Joint liability guarantee	Nil		2023.8.1-2028.7.24	No	No
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2024.3.29	15,000.00	2024.5.24	173.96	Joint liability guarantee	Nil		2024.5.24-2026.6.30	No	No
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興製藥有限公司)	2024.3.29	17,250.00	2023.8.1	6,848.51	Joint liability guarantee	Nil		2023.8.1-2028.7.24	No	No
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2024.3.29	11,500.00	2023.8.1	4,573.81	Joint liability guarantee	Nil	Nil	2023.8.1-2028.7.24	No	No
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2024.3.29	10,000.00	2024.5.15	12.98	Joint liability guarantee	Nil	Nil	2024.5.15-2026.6.30	No	No
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2024.3.29	17,250.00	2023.8.1	12,964.88	Joint liability guarantee	Nil	Nil	2023.8.1-2028.7.24	No	No
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2024.3.29	15,000.00	2024.3.25	3,277.62	Joint liability guarantee	Nil	Nil	2024.3.25-2026.6.30	No	No
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興製藥有限公司)	2024.3.29	5,750.00	2023.8.1	1,235.27	Joint liability guarantee	Nil	Nil	2023.8.1-2028.7.24	No	No
Total of guaranteed amount to its subsidiaries approved during the Reporting Period (B1)				1,561,425.00	Total of actual guaranteed amount to its subsidiaries occurred during the Reporting Period (B2)					100,381.22
Total of guaranteed amount to its subsidiaries approved at the End of the Reporting Period (B3)				1,561,425.00	Total of actual guaranteed balance to its subsidiaries occurred at the End of the Reporting Period (B4)					272,352.23

SECTION VI MAJOR EVENTS

XI. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(continued)*

2. Major guarantees *(continued)*

(1) Guarantees *(continued)*

Credit facility guarantees *(continued)*

Unit: RMB0'000

Subsidiaries' Guarantees to Subsidiaries											
Name of guaranteed party	Disclosure date of announcement relating to guaranteed amount		Actual date of event (signing date of agreement)		Actual guaranteed amount	Type of guarantee	Security (if any)	Counter guarantee	Period of guarantee	Whether it has been performed	Whether it is related party guarantee
	Guaranteed amount	Guaranteed amount	Guaranteed amount	Guaranteed amount							
-	-	-	-	-	-	-	-	-	-	-	-
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)	1,561,425.00	Total of actual guaranteed amount occurred during the Reporting Period (A2+B2+C2)	100,381.22
Total of guaranteed amount approved at the End of the Reporting Period (A3+B3+C3)	1,561,425.00	Total of actual guaranteed balance occurred at the End of the Reporting Period (A4+B4+C4)	272,352.23
Total of actual guaranteed amount (A4+B4+C4) as a percentage to the net assets of the Company			19.57%
Including:			
Guaranteed 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)			209,203.61
The amount exceeding 50% of net assets in total guaranteed amount (F)			-
Total guaranteed amount of the above three items (D+E+F)			209,203.61
Statement on the contingent joint liability in connection with outstanding guarantee contracts where guarantee liabilities have occurred during the Reporting Period or there was evidence indicating the possibility of incurring joint repayment liabilities (if any)			Not applicable
Statement on illegal external guarantees (if any)			Not applicable

SECTION VI MAJOR EVENTS

XI. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(continued)*

2. Major guarantees *(continued)*

(1) Guarantees *(continued)*

Pledge and guarantee of bills

The forty-sixth meeting of the tenth 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 RMB1.8 billion for conducting bills pooling business would be shared by the Company and its subsidiaries, such amount may be utilized on rolling basis. As at 30 June 2024, the pledge and guarantee of bills were as follows:

Unit: RMB0'000

Guarantor	Pledgee	Pledged amount of bills receivable	Name of guaranteed party	Description of guarantee	Guaranteed amount	Period of guarantee
Livzon Pharmaceutical Group Inc.	China Merchants Bank	23,776.66	Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	81.43	Till 11 November 2024
			Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	333.07	Till 23 November 2024
			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	3,035.52	Till 13 December 2024
			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	4,494.20	Till 17 December 2024
			Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	Opening bank acceptance bills, joint liability guarantee	1,050.71	Till 14 November 2024
			Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	363.86	Till 24 November 2024
			Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Opening bank acceptance bills, joint liability guarantee	282.76	Till 14 November 2024
			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	6,096.73	Till 23 November 2024
			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	116.80	Till 14 November 2024
			Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	2,355.92	Till 6 November 2024

SECTION VI MAJOR EVENTS

XI. 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
			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	4,206.98	Till 12 December 2024
			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	594.02	Till 13 September 2024
	Industrial Bank	806.09	Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	522.57	Till 14 November 2024
	Industrial and Commercial Bank of China	297.80	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	15.90	Till 24 December 2024
			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	96.71	Till 24 December 2024
			Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	44.11	Till 13 December 2024
	China CITIC Bank	1,199.80	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	151.07	Till 14 September 2024
			Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	64.80	Till 22 October 2024
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	3,528.71	Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	110.02	Till 26 December 2024

SECTION VI MAJOR EVENTS

XI. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(continued)*

2. Major guarantees *(continued)*

(1) Guarantees *(continued)*

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 provided to Livzon MAB 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)), 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 provided 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.

3. Entrusted wealth management

Applicable Not Applicable

During the Reporting Period, the Company had no entrusted wealth management.

4. Major contracts for daily operation

Applicable Not Applicable

5. Other material contracts

Applicable Not Applicable

During the Reporting Period, the Company had no other material contracts.

6. Other material transactions

During the Reporting Period, save as disclosed herein, the Company did not enter into other material transactions.

SECTION VI MAJOR EVENTS

XII. SIGNIFICANT EVENTS OF SUBSIDIARIES OF THE COMPANY

Applicable Not Applicable

Launch of futures hedging activities by controlling subsidiaries

On 30 March 2023, 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, may continue to 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 RMB20.0000 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.

XIII. PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

Applicable Not Applicable

XIV. DIVIDENDS AND BONUS SHARES

On 14 June 2024, the Company held the 2023 annual general meeting to consider and approve the distribution of cash dividend of RMB13.50 (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 2023 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalised.

The distribution of the cash dividends for the Company's A Shares was completed on 8 July 2024, and the distribution of the cash dividends for the Company's H Shares was completed on 5 August 2024.

The Company has proposed to distribute neither interim dividends, nor bonus shares, for the six months ended 30 June 2024. During the six months ended 30 June 2023, the Company did not distribute any interim dividends.

XV. EXPLANATION GIVEN BY THE BOARD OF DIRECTORS AND THE SUPERVISORY COMMITTEE ON THE ISSUANCE OF A "NON-STANDARD AUDIT REPORT" BY THE ACCOUNTING FIRM

Applicable Not Applicable

During the Reporting Period, no explanations are required to be given by the Supervisory Committee and the independent Directors as no "Non-standard Audit Report" has been issued by the accounting firm.

XVI. EXPLANATION GIVEN BY THE BOARD OF DIRECTORS ON THE "NON-STANDARD AUDIT REPORT" FOR THE PREVIOUS YEAR

Applicable Not Applicable

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

I. CHANGES IN SHARES

1. Changes in shares

As at 30 June 2024, 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	19,910,734	2.15%	-	-65,301	-65,301	19,845,433	2.14%
1. Shares held by state government							
2. Shares held by state-owned entities	17,306,329	1.87%	-	-	-	17,306,329	1.87%
3. Shares held by other domestic holders	2,604,405	0.28%	-	-65,301	-65,301	2,539,104	0.27%
Including: Shares held by domestic entities							
Shares held by domestic natural persons	2,604,405	0.28%	-	-65,301	-65,301	2,539,104	0.27%
4. Shares held by foreign holders							
Including: Shares held by foreign entities							
Shares held by foreign natural persons							
II. Shares not subject to selling restrictions	904,027,405	97.85%	+5,166,145	-2,713,499	+2,452,646	906,480,051	97.86%
1. Ordinary shares denominated in RMB	594,196,188	64.31%	+5,166,145	+65,301	+5,231,446	599,427,634	64.71%
2. Domestically listed foreign shares							
3. Overseas listed foreign shares	309,831,217	33.53%	-	-2,778,800	-2,778,800	307,052,417	33.15%
4. Others							
III. Total number of shares	923,938,139	100.00%	+5,166,145	-2,778,800	+2,387,345	926,325,484	100.00%

Reasons for changes in shares

Applicable Not Applicable

On 25 September 2023, Mr. Zhou Peng would no longer serve as the vice president of the Company, and all of A Shares of the Company held by him were restricted for sale within half a year from the date of his resignation. He shall continue to comply with the relevant selling restriction (i.e. disposing of no more than 25% of all the shares held by him each year) within six months from the date of resignation to the expiration of six months after the expiry of term of office of the eleventh session of the senior management of the Company. As at the End of the Reporting Period, 25% of the shares held by him have been unlocked, resulting in a decrease of 65,301 shares subject to selling restrictions of the Company and the shares not subject to selling restrictions increased accordingly.

Since the first grant of the 2022 Share Options Incentive Scheme of the Company was in the first exercise period, a total of 5,166,145 share options were exercised by the incentive participants during the Reporting Period, resulting in an increase of 5,166,145 shares not subject to selling restrictions of the Company.

On 28 June 2024, the Company cancelled 2,778,800 H Shares that had been repurchased, resulting in a decrease of 2,778,800 H Shares not subject to selling restrictions of the Company.

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 18 December 2023, the Company convened the ninth meeting of the eleventh session of the Board, during which the Resolution on Fulfillment of Exercise Conditions for the First Exercise Period of the First Grant under the 2022 Share Options Incentive Scheme was considered and approved. The exercise conditions for the first exercise period of the First Grant under the 2022 Share Options Incentive Scheme had been fulfilled, and agreed that 1,001 incentive participants who had fulfilled the exercise conditions are entitled to exercise 7,045,000 share options during the first exercise period at the exercise price of RMB31.31 per A share. The relevant options shall be exercisable from 2 January 2024 after examination by the Shenzhen Stock Exchange and CSDCC.

On 19 December 2023, the grant of general mandate to the Board to repurchase H shares of the Company had been considered and approved at the 2023 third extraordinary general meeting, the 2023 second class meeting of A Shareholders and the 2023 second class meeting of H Shareholders of the Company. As at 27 June 2024, the Company repurchased a total of 2,778,800 H Shares of the Company. On 28 June 2024, all H Shares repurchased by the Company were cancelled.

Transfer of changes in shares

Applicable Not Applicable

Progress of the implementation of share repurchase

Applicable Not Applicable

For details of the share repurchase, please refer to the relevant information in "XIV. REPURCHASE, SALE OR REDEMPTION OF SECURITIES" in Section III of the Report.

Progress of the implementation of repurchased shares reduction through centralized bidding

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 assets 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 with selling restrictions

Applicable Not Applicable

Unit: Share(s)

Name of Shareholder	Number of shares subject to selling restrictions at the Beginning of the Period	Number of shares released from selling restrictions during the Period	Increase in the number of shares subject to selling restrictions during the Period	Number of shares subject to selling restrictions at the End of the Period	Reasons for selling restrictions	Date of release from selling restrictions
Guangzhou Begol Trading Holdings Limited (廣州市保科力貿易公司)	17,306,329	–	–	17,306,329	Shares subject to selling restriction before initial offering	N/A
Tang Yanggang	258,722	–	–	258,722	Locked shares held by the senior management	N/A
Tao Desheng	550,350	–	–	550,350	Locked shares held by the senior management	N/A
Xu Guoxiang	587,850	–	–	587,850	Locked shares held by the senior management	N/A
Yang Daihong	351,734	–	–	351,734	Locked shares held by the senior management	N/A
Si Yanxia	303,317	–	–	303,317	Locked shares held by the senior management	N/A
Huang Yuxuan	101,488	–	–	101,488	Locked shares held by the senior management	N/A
Yang Liang	152,173	–	–	152,173	Locked shares held by the senior management	N/A
Du Jun	37,567	–	–	37,567	Locked shares held by the senior management	N/A
Zhou Peng	261,204	65,301	–	195,903	Locked shares held by the senior management	25 March 2024
Total	19,910,734	65,301	–	19,845,433	–	–

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 disclosure date of the Report.

II. ISSUE AND LISTING OF SECURITIES

Issue of securities (excluding preferred shares) during the Reporting Period

Applicable Not Applicable

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

III. NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS IN THE COMPANY

Total number of ordinary shareholders at the End of the Reporting Period 41,909 (including 41,888 A Shareholders) Total number of preferred shareholders with resumed voting rights at the End of the Reporting Period (if any) 0

Ordinary Shareholders Holding more than 5% or Shareholdings of the Top 10 Ordinary Shareholders (excluding shares lend through refinancing)									
Name of shareholder	Nature of shareholder	Class of shares	Shareholding percentage	Number of ordinary shares held at the End of the Period (shares)	Change during the Period (shares)	Number of ordinary shares held with selling restrictions (shares)	Number of ordinary shares held without selling restrictions (shares)	Pledge or lock-up Share status	Number
HKSCC Nominees Limited ^(Note 2)	Foreign entity	H Share	33.12%	306,768,789	-2,778,800	-	306,768,789	-	-
Joincare	Domestic non-state owned entity	A Share	23.90%	221,376,789	-	-	221,376,789	-	-
Hong Kong Securities Clearing Company Limited	Foreign entity	A Share	4.98%	46,152,280	-84,550	-	46,152,280	-	-
Begol	State-owned entity	A Share	1.87%	17,306,329	-	17,306,329	-	Pledged and locked up	17,306,329
Haibin Pharma	Domestic non-state owned entity	A Share	1.82%	16,830,835	-	-	16,830,835	-	-
Abu Dhabi Investment Authority (阿布達比投資局)	Others	A Share	0.70%	6,460,333	-102,600	-	6,460,333	-	-
Monetary Authority of Macao – Internal Funds (澳門金融管理局 – 自有資金)	Others	A Share	0.60%	5,520,426	+564,900	-	5,520,426	-	-
Huaxia Life Insurance Co., Ltd. – Internal Funds (華夏人壽保險股份有限公司 – 自有資金)	Others	A Share	0.59%	5,471,769	+5,471,769	-	5,471,769	-	-
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	0.55%	5,094,949	-	-	5,094,949	-	-
CITIC Securities Co., Ltd. – Social Security Fund 1106 Portfolio (中信證券股份有限公司 – 社保基金1106組合)	Others	A Share	0.53%	4,903,295	+1,397,142	-	4,903,295	-	-
Description of strategic investors or general legal persons who became Top 10 ordinary shareholders through placement of new shares	Not applicable								
Description of connection or acting-in-concert relationship of the above 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 above shareholders involved in entrustment/entrusted voting right and waiver of voting right	Not applicable								
Special notes on the special repurchase account among the top 10 shareholders (if any)	At the End of the Period, the number of shares held in the special account for repurchase of securities of Livzon Pharmaceutical Group Inc. was 2,152,600 shares.								

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

III. NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS IN THE COMPANY

(continued)

**Shareholdings of Top 10 Ordinary Shareholders Without Selling Restrictions
(excluding shares lend through refinancing, locked shares held by the senior management)**

Name of shareholder	Number of ordinary shares held without selling restrictions at the End of the Reporting Period	Class of shares	
		Class of shares	Number
HKSCC Nominees Limited	306,768,789	Overseas listed foreign shares	306,768,789
Joincare	221,376,789	Ordinary shares denominated in RMB	221,376,789
Hong Kong Securities Clearing Company Limited	46,152,280	Ordinary shares denominated in RMB	46,152,280
Haibin Pharma	16,830,835	Ordinary shares denominated in RMB	16,830,835
Abu Dhabi Investment Authority (阿布達比投資局)	6,460,333	Ordinary shares denominated in RMB	6,460,333
Monetary Authority of Macao – Internal Funds (澳門金融管理局—自有資金)	5,520,426	Ordinary shares denominated in RMB	5,520,426
Huaxia Life Insurance Co., Ltd. – Internal Funds (華夏人壽保險股份有限公司—自有資金)	5,471,769	Ordinary shares denominated in RMB	5,471,769
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
CITIC Securities Co., Ltd. – Social Security Fund 1106 Portfolio (中信證券股份有限公司—社保基金1106組合)	4,903,295	Ordinary shares denominated in RMB	4,903,295
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)	4,174,349	Ordinary shares denominated in RMB	4,174,349

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

III. NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS IN THE COMPANY

(continued)

Shareholdings of Top 10 Ordinary Shareholders Without Selling Restrictions (excluding shares lend through refinancing, locked shares held by the senior management)

Name of shareholder	Reporting Period	Class of shares	Number	Number of ordinary shares held without selling restrictions at the End of the
				Class of shares
Description of connection or acting-in-concert relationship among the top 10 ordinary shareholders without selling restrictions and between the top 10 ordinary shareholders without selling restrictions and the top 10 ordinary 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 original domestic legal person shares of the Company held by Begol (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 controlling 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》).
Description of the top 10 ordinary shareholders involved in margin financing and securities lending business				Not applicable

- Notes: 1. The shareholdings of the above top 10 shareholders are listed in accordance with the data in the register of members as at 30 June 2024, provided by CSDCC and Tricor Investor Services Limited in Hong Kong.
2. 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 on behalf of others included 163,364,672 H Shares held by Topsino, which was a wholly-owned subsidiary of Joicare, the controlling shareholder of the Company.

Shareholders holding more than 5%, top 10 Shareholders, and top 10 Shareholders of circulation Shares without selling restrictions participating in refinancing business shares lend

✓ Applicable Not Applicable

Unit: Share(s)

Name of Shareholder (full name)	Number of shares held by ordinary accounts and credit accounts at the Beginning of the Period		Number of outstanding shares lent through refinancing at the Beginning of the Period		Number of shares held by ordinary accounts and credit accounts at the End of the Period		Number of outstanding shares lent through refinancing at the End of the Period	
	Aggregate number	Percentage of total share capital	Aggregate number	Percentage of total share capital	Aggregate number	Percentage of total share capital	Aggregate number	Percentage of total share capital
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)	4,080,649	0.44%	307,200	0.03%	4,174,349	0.45%	149,700	0.02%

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

III. NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS IN THE COMPANY

(continued)

Changes compared to the previous period due to lending/returning for refinancing by the top 10 Shareholders and the top 10 Shareholders of circulation Shares without selling restrictions

Applicable Not Applicable

Whether any of the top 10 ordinary shareholders and the top 10 ordinary shareholders without 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 without selling restrictions of the Company did not conduct any transactions on agreed repurchases during the Reporting Period.

IV. CHANGES IN SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Applicable Not Applicable

V. AS AT 30 JUNE 2024, 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⁾	41.26%	27.58%
		163,364,672 H Shares ⁽¹⁾⁽³⁾	53.20%	17.64%
Mr. Tao Desheng (陶德勝)	Beneficial owner	733,800 A Shares ⁽⁴⁾⁽²¹⁾	0.12%	0.08%
	Interest of spouse	191,606 A Shares ⁽⁵⁾⁽⁶⁾⁽²¹⁾	0.03%	0.02%
		925,406 A Shares	0.15%	0.10%
Mr. Xu Guoxiang (徐國祥)	Beneficial owner	895,800 A Shares ⁽⁷⁾⁽²¹⁾	0.14%	0.10%
Mr. Tang Yanggang (唐陽剛)	Beneficial owner	456,963 A Shares ⁽⁸⁾⁽²¹⁾	0.07%	0.05%

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

V. AS AT 30 JUNE 2024, 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	895,653,653 shares ⁽¹⁾⁽⁹⁾	47.79% ⁽¹⁰⁾
	LivzonBio ⁽¹¹⁾	Interest of controlled corporations	294,000,000 (RMB) ⁽¹⁾⁽¹²⁾	26.84% ⁽¹¹⁾
	Livzon HK ⁽¹¹⁾	Interest of controlled corporations	4,000 shares ⁽¹⁾⁽¹³⁾	100.00% ⁽¹¹⁾
	Livzon MAB ⁽¹¹⁾	Interest of controlled corporations	1,500,000,000 (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	1,137,409 shares ⁽¹⁸⁾	0.06%
Mr. Yu Xiong (俞雄)	Joincare	Beneficial owner	1,360,000 shares ⁽¹⁹⁾	0.07%
		Interest of spouse	3,720 shares ⁽²⁰⁾	0.0002%
			<u>1,363,720 shares</u>	<u>0.07%</u>

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

V. AS AT 30 JUNE 2024, 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 *(continued)*

Notes:

- (1) Joincare was 47.79% held by Baiyeyuan which was in turn 90% held by Mr. Zhu Baoguo (朱保國). 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) were directly held or controlled by Joincare and 16,830,835 shares were held directly by Joincare's wholly-owned subsidiary, Haibin Pharma, respectively.
- (3) These shares were held directly by Topsino, a wholly-owned subsidiary of Joincare.
- (4) These shares were all A Shares of the Company.
- (5) These shares included 44,800 share options, which were exercisable to subscribe for 44,800 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 (侯雪梅), the spouse of Mr. Tao Desheng (陶德勝), Mr. Tao Desheng was deemed to be interested in these shares and underlying shares.
- (7) These shares included 112,000 share options, which were exercisable to subscribe for 112,000 A Shares of the Company pursuant to the 2022 Share Options Incentive Scheme of the Company.
- (8) These shares included 112,000 share options, which were exercisable to subscribe for 112,000 A Shares of the Company pursuant to the 2022 Share Options Incentive Scheme of the Company.
- (9) Baiyeyuan held 895,653,653 shares of Joincare.
- (10) The total issued share capital of Joincare was 1,874,019,337 shares. Therefore, Baiyeyuan held 47.79% equity interest in Joincare.

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

V. AS AT 30 JUNE 2024, 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 *(continued)*

Notes *(continued)*:

- (11) LivzonBio was directly held as to 26.84% 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.
- (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 24.00% by Mr. Tang Yanggang (唐陽剛), who is also the managing partner of Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership).
- (16) Livzon Diagnostics was directly held as to 47.425% 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 (唐陽剛) 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.
- (17) Mr. Xu Guoxiang (徐國祥) directly held 5.9651% equity interest in Liying, and therefore Livzon Diagnostics was indirectly held as to 0.54% by Mr. Xu Guoxiang.
- (18) These shares included 420,000 share options, which were exercisable to subscribe for 420,000 A shares of Joincare pursuant to the 2022 share options incentive scheme of Joincare.
- (19) These shares included 380,000 share options, which were exercisable to subscribe for 380,000 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 (俞雄), 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 the "XVI. SHARE OPTIONS INCENTIVE SCHEMES" in Section III of the Report.

Save as disclosed above, none of the Directors, Supervisors and chief executives of the Company has any interests or short positions 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.

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

VI. CHANGE OF CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLER

Change of controlling shareholder during the Reporting Period

Applicable Not Applicable

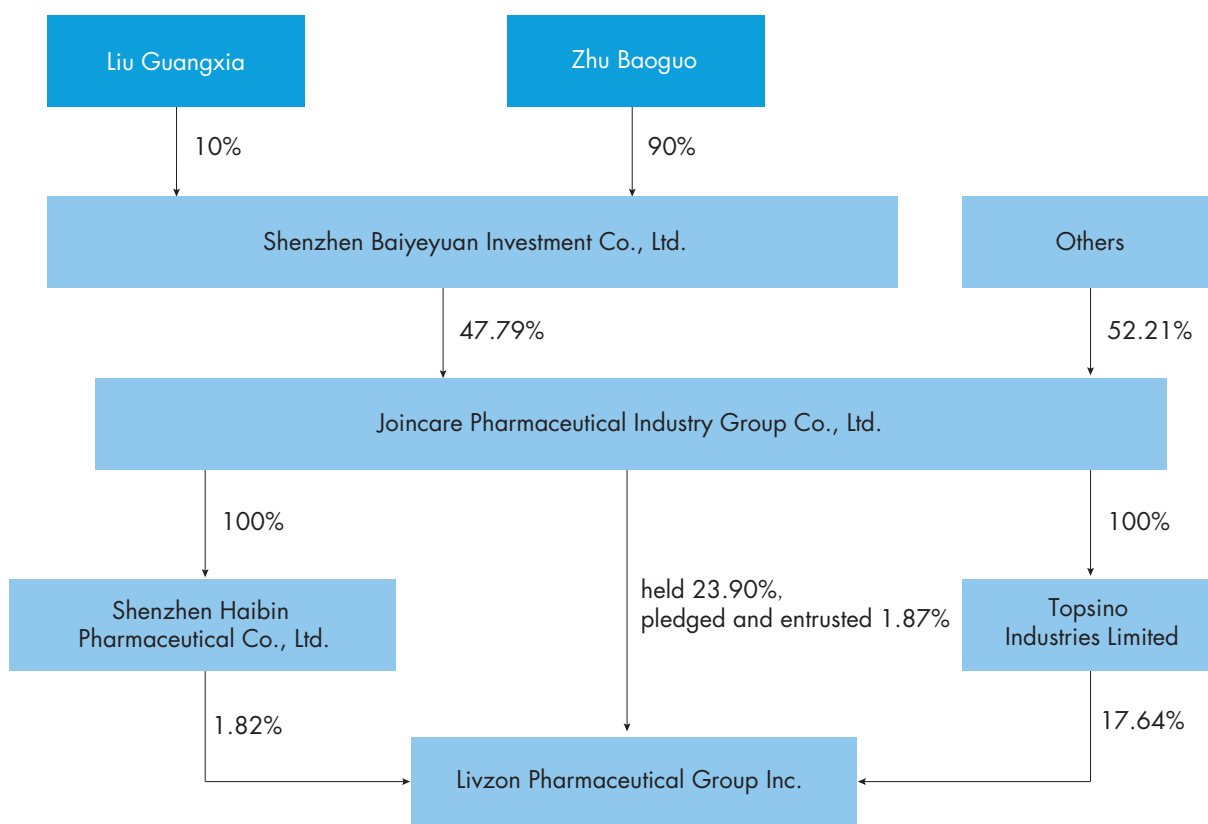
There was no change in the controlling shareholder of the Company during the Reporting Period.

Change of de facto controller during the Reporting Period

Applicable Not Applicable

There was no change in the de facto controller of the Company during the Reporting Period.

Structure chart on ownership and controlling relationship between the Company and its de facto controller as at the End of the Reporting Period



- Notes:
1. Mr. Zhu Baoguo (朱保國) is the spouse of Ms. Liu Guangxia (劉廣霞).
 2. As at the End of the Reporting Period, Baiyeyuan held 895,653,653 shares of Joincare, representing 47.79% equity interest in Joincare.

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

VII. AS AT 30 JUNE 2024, 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	41.26%	27.58%
	Interest of controlled corporations	163,364,672 H Shares ⁽²⁾	Long position	53.20%	17.64%
		418,878,625 Shares			45.22%
Ms. Liu Guangxia (劉廣霞)	Interest of spouse	255,513,953 A Shares ⁽³⁾	Long position	41.26%	27.58%
		163,364,672 H Shares ⁽³⁾	Long position	53.20%	17.64%
		418,878,625 Shares			45.22%
Joicare	Beneficial owner	221,376,789 A Shares	Long position	35.75%	23.90%
	Interest of controlled corporations	16,830,835 A Shares ⁽⁴⁾	Long position	2.72%	1.82%
	Holder of security interest in shares	17,306,329 A Shares ⁽⁵⁾	Long position	2.79%	1.87%
		255,513,953 A Shares		41.26%	27.58%
	Interest of controlled corporations	163,364,672 H Shares ⁽²⁾	Long position	53.20%	17.64%
Topsino	Beneficial owner	163,364,672 H Shares	Long position	53.20%	17.64%

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

VII. AS AT 30 JUNE 2024, 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: (continued)

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 (劉廣霞) is the spouse of Mr. Zhu Baoguo (朱保國), 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.

Save as disclosed above, no other persons, other than the Directors, Supervisors or chief executives of the Company, had any interests or 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.

SECTION VIII INFORMATION ON PREFERRED SHARES

Applicable Not Applicable

The Company had no preferred shares during the Reporting Period.

SECTION IX · INFORMATION ON BONDS

Applicable Not Applicable

I. AUDIT REPORT

Whether the interim report has been audited

Yes No

The interim financial report of the Company is unaudited.

CONSOLIDATED AND COMPANY BALANCE SHEET

II. FINANCIAL STATEMENTS

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount at the End of the Period		Amount at the Beginning of the Year	
		Consolidated	Company	Consolidated	Company
Current assets:					
Monetary funds	V.1	11,498,335,118.94	8,624,528,571.28	11,325,723,855.76	9,029,704,026.67
Financial assets held for trading	V.2	67,941,574.16	9,166,509.72	81,792,081.22	13,665,713.52
Bills receivable	V.3	1,383,283,947.01	615,922,892.63	1,459,333,093.74	702,305,008.17
Accounts receivables	V.4	2,347,781,619.79	1,055,829,797.61	2,115,658,645.12	1,012,992,893.85
Receivables financing					
Prepayments	V.5	127,473,272.67	29,456,548.41	139,458,224.63	20,469,747.92
Other receivables	V.6	53,159,500.59	1,064,316,784.00	32,008,338.25	1,132,686,445.08
Of which: Interest receivable					
Dividends receivable			548,291,888.07		548,291,888.07
Inventories	V.7	1,973,603,406.40	295,365,888.30	2,060,651,179.94	378,813,560.37
Contract assets					
Held-for-sale assets					
Non-current assets due within one year					
Other current assets	V.8	55,203,326.70	1,640,827.26	51,549,299.62	649,951.49
Total current assets		17,506,781,766.26	11,696,227,819.21	17,266,174,718.28	12,291,287,347.07
Non-current assets:					
Debt investments					
Other debt investments					
Long-term receivables					
Long-term equity investments	V.9	1,062,137,907.56	4,122,649,967.03	1,031,259,800.84	3,910,547,534.93
Other equity instrument investments	V.10	617,535,504.75	280,307,002.85	638,843,775.68	283,961,872.85
Other non-current financial assets					
Investment properties	V.11	10,346,295.85		10,766,737.57	
Fixed assets	V.12	4,185,968,920.76	78,409,019.04	4,294,232,468.83	82,482,932.99
Construction in progress	V.13	373,681,152.78	270,028.31	289,306,707.05	586,706.33
Productive biological assets					
Oil and gas assets					
Right-of-use assets	V.14	21,060,949.87	1,903,210.51	20,908,112.56	2,128,704.16
Intangible assets	V.15	420,261,648.10	30,568,591.42	426,283,093.35	35,475,587.09
Development expenditure	V.16	305,664,348.02	124,640,257.45	287,888,786.16	110,189,959.33
Goodwill	V.17	124,911,302.94		124,911,302.94	
Long-term deferred expenses	V.18	185,389,007.35	8,129,801.70	180,732,214.07	8,529,895.17
Deferred income tax assets	V.19	323,903,209.77	138,221,898.33	301,924,276.55	107,610,387.27
Other non-current assets	V.20	438,317,797.52	320,105,592.70	171,595,133.87	70,345,035.70
Total non-current assets		8,069,178,045.27	5,105,205,369.34	7,778,652,409.47	4,611,858,615.82
Total assets		25,575,959,811.53	16,801,433,188.55	25,044,827,127.75	16,903,145,962.89

CONSOLIDATED AND COMPANY BALANCE SHEET

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount at the End of the Period		Amount at the Beginning of the Year	
		Consolidated	Company	Consolidated	Company
Current liabilities:					
Short-term loans	V.22	1,850,000,000.00		1,860,009,625.00	
Financial liabilities held for trading		4,627,870.04		86,817.12	
Bills payables	V.23	1,083,646,032.73	1,890,610,990.33	894,588,217.10	1,885,788,175.04
Accounts payables	V.24	631,178,442.51	198,980,785.75	763,825,157.69	882,873,193.66
Receipts in advance					
Contract liabilities	V.25	86,732,463.84	11,633,867.04	137,998,394.09	22,861,682.45
Employee benefits payables	V.26	239,454,303.49	82,278,897.99	264,432,630.74	45,536,864.56
Taxes and surcharge payables	V.27	238,451,785.03	25,906,857.71	299,087,995.28	18,499,509.69
Other payable	V.28	4,085,310,915.63	8,326,412,351.70	3,157,651,033.59	6,726,876,290.24
Of which: Interest payables					
Dividends payable		914,204,622.87	903,513,944.70	12,478,280.13	20,174.46
Held-for-sale liabilities					
Non-current liabilities due within one year	V.29	1,466,456,736.08	979,219.09	659,679,477.31	1,056,733.83
Other current liabilities	V.30	11,414,619.39	1,498,657.69	49,778,126.82	2,958,310.40
Total current liabilities		9,697,273,168.74	10,538,301,627.30	8,087,137,474.74	9,586,450,759.87
Non-current liabilities:					
Long-term loans	V.31	714,281,707.70	140,097,222.22	1,612,773,278.99	170,140,250.00
Bonds payables					
Leasing liabilities	V.32	7,774,003.30	955,259.21	9,030,622.57	1,091,935.23
Long-term payable					
Long-term employee benefits payable					
Provisions					
Deferred gains	V.33	256,118,759.30	53,520,000.00	269,370,462.59	52,995,000.00
Deferred income tax liabilities	V.19	203,113,288.62	41,135,374.65	209,812,292.82	42,863,027.02
Other non-current liabilities	V.34	90,000,000.00		90,000,000.00	
Total non-current liabilities		1,271,287,758.92	235,707,856.08	2,190,986,656.97	267,090,212.25
Total liabilities		10,968,560,927.66	10,774,009,483.38	10,278,124,131.71	9,853,540,972.12
Share capital	V.35	926,325,484.00	926,325,484.00	923,938,139.00	923,938,139.00
Other equity instruments					
Of which: Preferred shares					
Perpetual bonds					
Capital reserve	V.36	1,356,153,031.50	1,563,080,587.15	1,322,498,474.23	1,436,829,269.06
Less: treasury share	V.37	73,447,558.49	73,447,558.49		
Other comprehensive income	V.38	135,997,656.02	189,531,245.53	143,071,567.85	192,539,249.36
Special reserve					
Surplus reserve	V.39	744,801,154.15	539,838,100.57	744,801,154.15	539,838,100.57
Undistributed profits	V.40	10,830,058,722.34	2,882,095,846.41	10,908,185,967.49	3,956,460,232.78
Total equity attributable to shareholders of the parent company		13,919,888,489.52	6,027,423,705.17	14,042,495,302.72	7,049,604,990.77
Minority interests		687,510,394.35		724,207,693.32	
Total shareholders' (or owners') equity		14,607,398,883.87	6,027,423,705.17	14,766,702,996.04	7,049,604,990.77
Total liabilities and shareholders' (or owners') equity		25,575,959,811.53	16,801,433,188.55	25,044,827,127.75	16,903,145,962.89

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 Period		Amount for the Previous Period	
		Consolidated	Company	Consolidated	Company
I. Operating income	V.41	6,282,354,251.22	2,765,366,574.23	6,689,918,114.87	3,164,166,338.78
Less: Operating costs	V.41	2,138,550,303.96	1,964,294,127.61	2,402,469,642.77	2,168,098,224.22
Tax and surcharge	V.42	70,512,730.70	13,111,179.04	78,868,520.37	19,477,477.25
Selling expenses	V.43	1,739,737,092.61	692,356,567.59	1,967,370,565.48	777,724,283.64
Administrative expenses	V.44	330,935,311.51	124,826,623.73	310,929,480.34	81,729,340.11
R&D expenses	V.45	490,658,756.13	139,102,255.66	610,783,249.63	137,464,347.43
Finance expenses	V.46	-77,592,397.16	-52,702,626.37	-41,452,588.54	-24,923,731.28
Of which: Interest expenses		46,250,017.10	29,990,646.38	48,692,655.31	37,446,577.29
Interest income		123,741,723.21	87,042,739.41	68,714,629.36	60,606,964.53
Add: Other income	V.47	57,967,829.74	14,234,549.15	103,891,550.66	57,430,688.80
Investment income	V.48	15,574,609.82	264,467,644.63	49,130,943.63	576,213,773.99
("-" represents losses)					
Of which: Income from		13,332,979.65	22,451,469.67	37,016,146.66	40,356,199.76
investments in					
associates and joint					
ventures					
Gains on derecognition					
of financial assets at					
amortized cost					
("-" represents losses)					
Gains from hedging net exposure					
("-" represents losses)					
Gains from changes in fair value	V.49	-18,391,559.98	-4,499,203.80	-32,451,991.75	-1,130,569.16
("-" represents losses)					
Credit impairment loss	V.50	-3,212,261.28	-3,053,442.67	-22,790,539.52	-556,095.85
("-" represents losses)					
Asset impairment loss	V.51	-29,139,720.53	-7,296,313.11	-29,969,004.15	-2,089,935.27
("-" represents losses)					
Gains from disposal of assets	V.52	-76,440.36	-6,372.39	-328,226.00	-72,824.82
("-" represents losses)					
II. Operating profit		1,612,274,910.88	148,225,308.78	1,428,431,977.69	634,391,435.10
("-" represents losses)					
Add: Non-operating income	V.53	3,520,232.49		1,064,534.55	
Less: Non-operating expenditure	V.54	7,401,195.04	5,386,444.24	6,126,356.87	2,216,895.90
III. Total profit		1,608,393,948.33	142,838,864.54	1,423,370,155.37	632,174,539.20
("-" represents net losses)					
Less: Income tax expenses	V.55	253,694,814.03	-30,428,898.11	249,299,311.87	2,300,459.42
IV. Net profit		1,354,699,134.30	173,267,762.65	1,174,070,843.50	629,874,079.78
("-" represents net losses)					
(I) Classified by continuing operations:					
Of which: Net profit from continuing		1,354,699,134.30	173,267,762.65	1,174,070,843.50	629,874,079.78
operations ("-" represents					
net losses)					
Net profit from discontinued					
operations ("-" represents					
net losses)					
(II) Classified by attribution to ownership:					
Of which: Net profit attributable to		1,170,970,883.51	173,267,762.65	1,134,570,348.55	629,874,079.78
shareholders of the parent					
company ("-" represents					
net losses)					
Profit and loss attributable to		183,728,250.79		39,500,494.95	
minority interests					
("-" represents net losses)					

CONSOLIDATED AND COMPANY INCOME STATEMENT

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Period		Amount for the Previous Period	
		Consolidated	Company	Consolidated	Company
V. Other comprehensive net income after taxation		-8,408,273.70	-3,008,003.83	2,705,127.80	-5,502,398.00
Other comprehensive net income after taxation attributable to shareholders of the parent company		-8,539,891.47	-3,008,003.83	1,984,192.87	-5,502,398.00
(I) Other comprehensive income not to be reclassified into profit or loss		-14,907,517.81	-3,106,639.50	-25,285,974.49	-5,502,398.00
1. Changes in remeasurement of defined benefit plans					
2. Other comprehensive income not to be reclassified into profit or loss under equity method					
3. Changes in fair value of other equity instrument investments		-14,907,517.81	-3,106,639.50	-25,285,974.49	-5,502,398.00
4. Changes in fair value of enterprise's own credit risk					
5. Others					
(II) Other comprehensive income to be reclassified into profit or loss		6,367,626.34	98,635.67	27,270,167.36	
1. Other comprehensive income to be reclassified into profit or loss under equity method		87,526.33	98,635.67		
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		6,280,100.01		27,270,167.36	
7. Others					
Other comprehensive net income after taxation attributable to minority interests		131,617.77		720,934.93	
VI. Total comprehensive income		1,346,290,860.60	170,259,758.82	1,176,775,971.30	624,371,681.78
Total comprehensive income attributable to shareholders of the parent company		1,162,430,992.04	170,259,758.82	1,136,554,541.42	624,371,681.78
Total comprehensive income attributable to minority interests		183,859,868.56		40,221,429.88	
VII. Earnings per share					
(I) Basic earnings per share	V.56	1.27		1.22	
(II) Diluted earnings per share	V.56	1.27		1.22	

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 Period		Amount for the Previous Period	
		Consolidated	Company	Consolidated	Company
I. Cash flow from operating activities:					
Cash received from sale of goods and supply of services rendered		6,543,511,645.63	3,125,647,378.48	6,792,345,913.24	3,633,009,062.82
Refund of taxes and levies		41,235,110.39		49,884,497.44	
Cash received relating to other operating activities	V.57	230,571,266.69	140,027,645.63	273,895,261.39	121,364,052.41
Subtotal of cash inflow from operating activities		6,815,318,022.71	3,265,675,024.11	7,116,125,672.07	3,754,373,115.23
Cash paid for purchase of goods and services rendered		1,705,129,771.68	2,789,792,193.41	2,062,544,762.77	2,804,214,555.15
Cash paid to and on behalf of employees		953,348,139.60	303,572,175.72	868,381,549.46	231,303,425.36
Payments for various taxes and levies		793,599,768.11	106,837,838.95	778,989,755.81	139,081,107.89
Cash paid relating to other operating activities	V.57	1,833,209,086.93	596,844,607.75	2,178,904,460.67	619,060,585.54
Subtotal of cash outflow from operating activities		5,285,286,766.32	3,797,046,815.83	5,888,820,528.71	3,793,659,673.94
Net cash flow from operating activities		1,530,031,256.39	-531,371,791.72	1,227,305,143.36	-39,286,558.71
II. Cash flow from investing activities:					
Cash received from disposal of investments		404,071,475.99		374,334,588.68	31,257.75
Cash received on investment income		6,997,674.74	242,866,174.96	26,682,920.81	535,855,587.48
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		233,140.00	12,640.00	53,000.00	41,000.00
Net cash received from disposal of subsidiaries and other operating units					
Cash received relating to other investing activities	V.57			6,000,000.00	
Subtotal of cash inflow from investing activities		411,302,290.73	242,878,814.96	407,070,509.49	535,927,845.23
Cash payments for acquisition of fixed assets, intangible assets and other long-term assets		270,182,173.72	20,255,613.59	399,061,078.37	111,250,210.58
Cash payments for investments		363,360,774.95	431,321,200.54	407,694,136.52	62,310,000.00
Net cash paid for acquisition of subsidiaries and other operating units				22,461,951.59	
Cash paid relating to other investing activities	V.57	931,044.37		14,952,360.90	
Subtotal of cash outflow from investing activities		634,473,993.04	451,576,814.13	844,169,527.38	173,560,210.58
Net cash flow from investing activities		-223,171,702.31	-208,697,999.17	-437,099,017.89	362,367,634.65

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Period		Amount for the Previous Period	
		Consolidated	Company	Consolidated	Company
III. Cash flow from financing activities:					
Cash received from investments		156,333,115.63	156,333,115.63	36,790,000.00	
Of which: Cash received by subsidiaries from investments of minority interests				36,790,000.00	
Cash received from borrowings		1,984,343,152.42		1,856,549,701.83	950,000,000.00
Cash received relating to other financing activities	V.57	1,040,757.54	726,008,857.96		
Subtotal of cash inflow from financing activities		2,141,717,025.59	882,341,973.59	1,893,339,701.83	950,000,000.00
Cash paid on repayment of debts		2,087,545,056.78	30,000,000.00	1,212,273,289.94	279,000,000.00
Cash paid for distribution of dividends, profit or interests		711,943,512.51	347,112,642.11	937,862,237.73	594,336,774.04
Of which: Dividends and profits paid to minority interests by subsidiaries		318,942,427.50		301,123,814.21	
Cash paid relating to other financing activities	V.57	147,967,442.20	136,322,737.59	153,095,613.34	293,950,044.38
Subtotal of cash outflow from financing activities		2,947,456,011.49	513,435,379.70	2,303,231,141.01	1,167,286,818.42
Net cash flow from financing activities		-805,738,985.90	368,906,593.89	-409,891,439.18	-217,286,818.42
IV. Effect of changes in foreign exchange rates on cash and cash equivalents		2,871,040.49	-3,129,639.60	31,975,661.27	4,587,038.48
V. Net increase in cash and cash equivalents		503,991,608.67	-374,292,836.60	412,290,347.56	110,381,296.00
Add: Balance of cash and cash equivalents at the Beginning of the Period		10,976,366,402.44	8,990,226,490.75	10,072,642,681.72	8,528,843,909.15
VI. Balance of cash and cash equivalents at the End of the Period		11,480,358,011.11	8,615,933,654.15	10,484,933,029.28	8,639,225,205.15

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 Period										Total shareholders' equity	
	Shareholders' equity attributable to shareholders of the parent company					Other equity instruments						
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions		Undistributed profits
I. Balance as at the end of the previous year Add: Adjustment for changes in accounting policies Correction of accounting errors in prior period Consolidation of enterprises under common control Others	923,938,139.00				1,322,498,474.23	143,071,567.85	744,801,154.15		744,801,154.15	10,908,185,967.49	724,207,693.32	14,766,702,996.04
II. Balance at the Beginning of the Year	923,938,139.00				1,322,498,474.23	143,071,567.85	744,801,154.15		744,801,154.15	10,908,185,967.49	724,207,693.32	14,766,702,996.04
III. Increase/Decrease during the period (“-” represents decreases)	2,387,345.00				33,654,557.27	73,447,558.49	-7,073,911.83			-78,127,245.15	-36,697,298.97	-159,304,112.17
(I) Total comprehensive income						-8,539,891.47				1,170,970,883.51	183,859,868.56	1,346,290,860.60
(II) Capital contributed and reduced by shareholders	2,387,345.00				15,759,111.49	73,447,558.49					96,617,832.47	41,316,730.47
1. Ordinary shares contributed by shareholders	5,166,145.00				156,585,854.95	135,510,814.56						26,241,185.39
2. Capital contributed by holders of other equity instruments												
3. Share-based equity-settled payments					13,748,213.96						1,327,331.12	15,075,545.08
4. Others	-2,778,800.00				-154,574,957.42	-62,063,256.07				-1,247,632,149.02	-317,175,000.00	-1,564,807,149.02
(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						1,465,979.64						
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						1,465,979.64						
1. Extraction during the period												
2. Amount used during the period												
(VI) Others												
(VII) Balance as at the End of the Period	926,325,484.00				1,356,153,031.50	73,447,558.49	135,997,656.02		744,801,154.15	10,830,058,722.34	687,510,394.35	14,607,398,883.87
					17,895,445.78							17,895,445.78

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Previous Period										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		General risk provisions	Undistributed profits	Minority interest
I. Balance as at the end of the previous year	935,552,687.00					1,627,478,362.60	55,936,280.81	186,488,638.73		744,801,154.15		10,437,684,823.51	1,060,214,894.21	14,936,284,293.39
Add: Adjustment for changes in accounting policy														
Correction of accounting errors in prior period														
Consolidation of enterprises under common control														
Other														
II. Balance at the Beginning of the Year	935,552,687.00					1,627,478,362.60	55,936,280.81	186,488,638.73		744,801,154.15		10,437,684,823.51	1,060,214,894.21	14,936,284,293.39
III. Increase/decrease during the period						31,033,211.18	142,667,039.66	-2,423,882.45				-348,579,340.75	-223,789,794.31	-686,426,345.99
(I) Total comprehensive income								1,984,192.87				1,134,570,346.55	40,221,429.88	1,176,775,971.30
(II) Capital contributed and reduced by shareholders						31,545,798.73	142,667,039.66						42,285,149.41	68,836,091.52
1. Ordinary shares contributed by shareholders														
2. Capital contributed by holders of other equity instruments													36,720,000.00	-105,877,039.66
3. Share-based equity-settled payments						31,545,798.73							5,495,149.41	37,040,948.14
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 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						-517,587.55								-588,461.15
IV. Balance as at the End of the Period	935,552,687.00					1,658,511,573.78	198,603,320.47	184,064,756.28		744,801,154.15		10,089,105,482.76	836,435,599.90	14,249,857,953.40

Chairman of the Board and Legal Representative:
Zhu Baoguo

Executive Director and President:
Tang Jiyangang

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 Period										Total shareholders' equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	
I. Balance as at the end of the previous year	923,938,139.00				1,436,829,269.06		192,539,249.36		539,838,100.57	3,956,460,232.78	7,049,604,990.77
Add: Adjustment for changes in accounting policies											
Correction of accounting errors in prior period											
Others											
II. Balance at the Beginning of the Year	923,938,139.00				1,436,829,269.06		192,539,249.36		539,838,100.57	3,956,460,232.78	7,049,604,990.77
III. Increase/decrease during the period	2,387,345.00				126,251,318.09	73,447,538.49	-3,008,003.83			-1,074,364,386.37	-1,022,181,285.60
(*) represents decreases											
(I) Total comprehensive income							-3,008,003.83			173,267,762.65	170,259,758.82
(II) Capital contributed and reduced by shareholders	2,387,345.00				109,486,956.50	73,447,538.49					38,426,743.01
1. Ordinary shares contributed by shareholders	5,166,145.00				156,585,854.95	135,510,814.56					26,241,185.39
2. Capital contributed by holders of other equity instruments											
3. Share-based equity-settled payments											
4. Others	-2,778,800.00				12,185,557.62	-62,063,256.07					12,185,557.62
(III) Profit distribution										-1,247,632,149.02	-1,247,632,149.02
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											
Others											
IV. Balance as at the End of the Period	926,325,484.00				1,563,080,587.15	73,447,538.49	189,531,245.53		539,838,100.57	2,882,095,846.41	6,027,423,705.17

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

Unit: RMB

Prepared by: Livzon Pharmaceutical Group Inc.

Item	Amount for the Previous Period						Total shareholders' equity			
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares		Other comprehensive income	Surplus reserve	Undistributed profits
I. Balance as at the end of the previous year	935,552,687.00				1,770,043,318.85	55,936,280.81	135,184,804.56	539,838,100.57	4,034,526,598.75	7,359,209,228.92
Add: Adjustment for changes in accounting policies										
Correction of accounting errors in prior period										
Others										
II. Balance at the Beginning of the Year	935,552,687.00				1,770,043,318.85	55,936,280.81	135,184,804.56	539,838,100.57	4,034,526,598.75	7,359,209,228.92
III. Increase/decrease during the period ("-" represents decreases)					26,735,200.60	142,667,039.66	-5,502,398.00		-857,683,684.84	-979,117,921.90
(I) Total comprehensive income							-5,502,398.00			
(II) Capital contributed and reduced by shareholders					26,735,200.60	142,667,039.66				
1. Ordinary shares contributed by shareholders										
2. Capital contributed by holders of other equity instruments										
3. Share-based equity-settled payments										
4. Others										
(III) Profit distribution								-1,487,557,764.62		
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. Charges in defined benefit plans transferred to retained earnings										
5. Other comprehensive income transferred to retained earnings										
6. Others										
(V) Special reserve										
1. Special reserve										
2. Amount used during the period										
(VI) Others										
IV. Balance as at the End of the Period	935,552,687.00				1,796,778,519.45	198,603,320.47	129,682,406.56	539,838,100.57	3,176,842,913.91	6,380,091,307.02

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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

I. BASIC INFORMATION OF THE COMPANY

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 document [1992] No. 29 issued by Zhuhai Economic System Reform Commission (珠海市經濟體制改革委員會) and the approval document [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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

I. BASIC INFORMATION OF THE COMPANY *(continued)*

On 4 February 2005, Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司) (hereinafter referred to as "Joincare 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 Joincare Group. On 3 August 2006, the procedures for the transfer of the 38,917,518 domestic legal person shares to Joincare Group were completed.

As at 31 December 2012, Joincare 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 Joincare Group.

As at 30 June 2024, the share capital of the Company was RMB926,325,484.

The place of incorporation and the head office of the Company are located in 38 Chuangye North Road, Jinwan District, Zhuhai City.

The Company is engaged in the pharmaceutical manufacturing industry.

The nature of business and principal activities of the Company and its 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 and also included a wide range of therapeutic fields such as gastroenterology, assisted reproduction, psychiatry and tumor immunity.

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 18th meeting of the 11th session of the Board on 22 August 2024.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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 (2023 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 Group 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. 22 and Note III. 29.

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 30 June 2024, and the consolidated and the Company’s operating results and the consolidated and the Company’s cash flow and other relevant information from January to June 2024.

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

A 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 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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

5. Methods for determining materiality criteria and basis for selection

Item	Materiality criteria
Important receivables for which provision for bad debt has been made on individual basis	The amount of individual provision accounts for more than 5% of the total amount of each category of receivables and the amount exceeds RMB50 million
Write-off of important receivables in the Period	The amount of individual write-off accounts for more than 5% of the total amount of each category of receivables and the amount exceeds RMB50 million
Important construction in progress	The budgeted investment amount of individual project accounts for more than 5% of the total consolidated assets and the amount exceeds RMB100 million
Important contract liabilities aged over one year	Contract liabilities with an individual age of over one year account for more than 10% of the total contract liabilities and the amount exceeds RMB50 million
Important accounts payable and other payables aged over one year	Accounts payable/other payables with an individual age of over one year account for more than 10% of the total accounts payable/other payables and the amount exceeds RMB50 million
Important non-wholly owned subsidiaries	One or both of the total assets, operating income and net profit (or absolute loss) of a subsidiary account for more than 10% of the corresponding items in the consolidated financial statements
Important capitalized R&D items	The closing balance of individual project accounts for more than 10% of the closing balance of development expenditure and the amount exceeds RMB100 million
Important investing activities items	Individual investment activity accounts for more than 10% of the total cash inflow or outflow related to investment activities received or paid and the amount exceeds RMB100 million
Important joint ventures or associates	The book value of long-term equity investment in individual investee accounts for more than 3% of the total consolidated net assets and the amount exceeds RMB500 million, or the investment profit or loss under the equity method of long-term equity investment accounts for more than 10% of the consolidated net profit

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

6. Accounting treatment for 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 in a business combination by the combining party from the combined party are measured based on the combined party's 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 in a business combination is adjusted against share premium under 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 calculated based on the percentage of shareholding on the date of combination. The difference between the initial investment cost and the sum of the carrying amount of the investment held before the combination and the carrying amount of consideration paid for the combination at the combination date is adjusted against share premium under the capital reserve, with any excess adjusted against retained earnings.

In the consolidated financial statements, the assets acquired and liabilities assumed in a business combination by the combining party from the combined party 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 before the combination and the carrying amount of the consideration paid for the combination at the combination date and the carrying amount of the net assets acquired in a business combination is adjusted against share premium under 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 current period respectively.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

6. Accounting treatment for business combinations involving enterprises under common control and business combinations involving enterprises not under common control (continued)

(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 by acquiree 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 current period after review.

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. Owners' equity recognised due to the changes of other owners' equity other than the changes of net loss and profit, other comprehensive income and profit distribution shall be transferred to profit or loss for the 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 for the current period 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 owners' equity shall be transferred to income for the current period on the acquisition date, except for the other comprehensive income incurred due to the changes arising from remeasuring net liabilities or net assets of defined benefit plan attributable to the investee and the other comprehensive income related to non-trading equity instrument investments originally designated as at fair value through other comprehensive income.

(3) Transaction fees attribution during the business combination

The intermediary and other relevant administrative expenses such as audit, legal service and valuation advisory for business combinations are recognised in profit or loss 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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

7. Judgment criteria for control and method for preparation of consolidated financial statements

(1) Judgment criteria for control

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 an investee and the ability to affect those returns through power over such investee. The Company will reassess when changes in relevant elements involved in the definition of control are caused by changes in relevant facts and circumstances.

In determining whether to incorporate structured entities into the scope of consolidation, the Company assesses whether it controls the structured entities based on all facts and circumstances, including the assessment of the purpose and design of the establishment of the structured entities, the identification of the types of variable returns, and whether they have assumed some or all of the variable returns through their involvement in the relevant activities.

(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 the consolidation financial statements, the Company and its subsidiaries are required to apply consistent accounting policy and accounting period, significant 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 current period attributable to minority interests 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 interests.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

7. Judgment criteria for control and method for preparation of consolidated financial statements *(continued)*

(3) Purchase of minority interests in the 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 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 subsidiaries and the disposal of the long-term equity investment corresponding to the share of the net assets that the subsidiaries continue to calculate from the date of purchase or the date of consolidation, shall be adjusted against share premium under the capital reserve in the consolidated balance sheet, with any excess adjusted against 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, deducting 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 shall be accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the original subsidiary when the control is lost and other changes in equity interest attributable to the owners related to the original subsidiary involving accounting for using the equity method shall be transferred to profit or loss for the current period when the control is lost.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

7. Judgment criteria for control and method for 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 proceeds from the disposal 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 share premium under the capital reserve as equity, and shall not be carried forward to the profit or loss for the current period when the control is lost.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

8. 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 recognizes 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.

9. 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.

10. Foreign currency business and translation of financial statements in foreign currency

(1) Foreign currency business

Foreign currency transactions incurred 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 with 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 actual exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Foreign currency business and translation of financial statements in foreign currency (continued)

(1) Foreign currency business (continued)

Monetary items denominated in foreign currencies are translated to functional currency 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 exchange difference on cash is adjusted 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 Group 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.

11. 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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. Financial instruments (continued)

(1) Recognition and derecognition of financial instruments (continued)

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 derecognition.

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 de-recognised, 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 measured at fair value through profit or loss for the current period based on the business model for managing financial assets and their contractual cash flow characteristics upon 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 initial recognition amount. Accounts receivables arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company.

① Financial assets at amortised cost

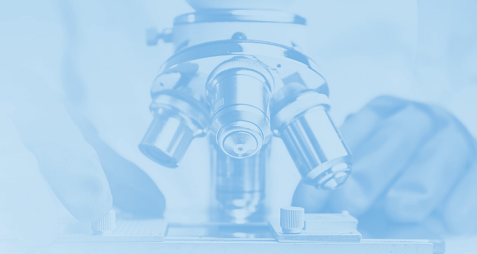
The Company shall classify financial assets that meet the following conditions and are not designated as financial assets measured at fair value through profit or loss for the current period as financial assets measured at amortized cost:

- 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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. 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 measured at fair value through profit or loss for the current period as financial assets measured 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 recognized 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 from other comprehensive income to the profit or loss for the current period upon derecognition of the financial assets.

③ Financial assets measured at fair value through profit or loss for the current period

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 measured at fair value through profit or loss for the current period. 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 measured at fair value through profit or loss for the current period.

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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. Financial instruments (continued)

(2) Classification and measurement of financial assets (continued)

- ③ Financial assets measured at fair value through profit or loss for the current period (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.

(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 for the current period and financial liabilities at amortised cost. For financial liabilities not classified as financial liabilities at fair value through profit or loss for the current period, the relevant transaction costs are included in the initially recognised amount.

- ① Financial liabilities at fair value through profit or loss for the current period

Financial liabilities at fair value through profit or loss for the current period include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss for the current period upon initial recognition. Such financial liabilities are subsequently measured at fair value, all gains or 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 or losses arising from derecognition or amortisation are recognised in profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. 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 will 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 will 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 must or are able to be settled by the Company's own equity instrument, the Company should consider whether the Company's equity instrument used for settling such instrument is a substitute of cash or other financial assets or the residual interest in the issuer's assets that the instrument holder enjoys after deducting all of its 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 recognized 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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. 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 current period 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 for current period.

(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. 12.

(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 current period, 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.

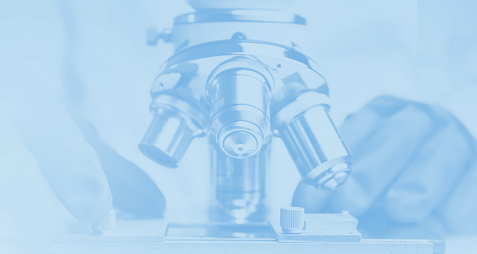
Measurement of expected credit loss (ECL)

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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. 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, and 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, and 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 based 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 future 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 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 financial instrument, if it is less than 12 months), and are portion of lifetime expected credit losses.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is 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 receivable, accounts receivables, receivables financing, other receivables, contract assets and others, if the credit risk characteristics of a customer are significantly different from other customers in the portfolio, or if there is a significant change in the credit risk characteristics of the customer, the Company makes bad debt provision for the accounts receivables on individual basis. Except for accounts receivables for which bad debt provision is made on individual basis, the Company classifies accounts receivables into portfolios based on credit risk characteristics, and measures bad debt provision on portfolios basis.

Bills receivable, accounts receivables and contract assets

For bills receivable, 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 or contract assets cannot be estimated at a reasonable cost, the Company classifies bills receivable, accounts receivables and contract assets into portfolios based on credit risk characteristics, and measures expected credit losses on portfolios basis to determine portfolios by the following basis:

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Bills receivable, accounts receivables and contract assets (continued)

A. Bills receivable

- Bills receivable portfolio 1: Bank acceptance bills
- Bills receivable portfolio 2: Commercial acceptance bills

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 and contract assets 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. The aging of accounts receivables is calculated from the date of billing.

Other receivables

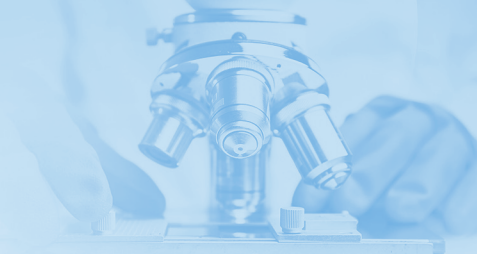
The Company classifies other receivables into certain portfolios based on credit risk characteristics, and measures expected credit losses on portfolios basis to determine portfolios by the following basis:

- 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. For other receivables classified into portfolios by aging, the aging is calculated from the date of recognition.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. 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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. 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:

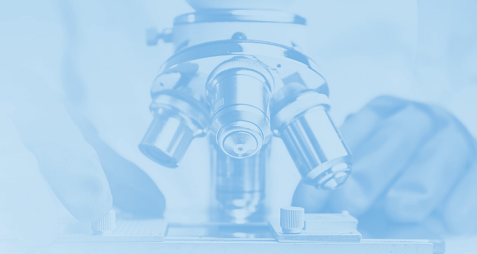
- significant financial difficulty of the issuer or debtor;
- a breach of contract by debtor, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the debtor's financial difficulty, the Company having granted to the debtor a concession 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 the current period. 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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. 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 to the extent that there is no realistic prospect of recovery of contractual cash flows of the financial asset by the Company (either partially or in full). 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.

12. 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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

12. Fair value measurement (continued)

If there is 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 best use or by selling it to another market participant that would use the asset in its 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 at the measurement date; 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.

13. Inventories

(1) Classification of inventories

The Company's inventories 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 value of inventories

On the balance sheet date, the inventories are calculated at the lower of cost and the net realisable value. When the net realisable value is lower than the cost, the provision for diminution in value of inventories is made.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

13. Inventories (continued)

(3) The underlying factors in the determination and the basis of provision for diminution in value of inventories (continued)

Net realisable value is the estimated selling price less the estimated costs of completion, selling expenses and related taxes. The net realisable 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.

The Company usually makes provision for diminution in value of inventories on an item-by-item basis. For large volume inventories with low unit price, the provision for diminution in value of inventories is made by categories.

At the balance sheet date, if the factors that previously give rise to the write-down of inventories no longer exist, the provision for diminution in value of inventories should be reversed within the amount of the provision that has been made.

(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.

14. Assets held for sale and discontinued operations

(1) Standards for determination and accounting treatment for non-current assets or the disposal group classified as 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 subsequently 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 deferred income tax assets and the right arising from 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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

14. Assets held for sale and discontinued operations (continued)

(1) Standards for determination and accounting treatment for non-current assets or the disposal group classified as 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, amortisation or impairment that could have been recognized if it was not classified into the held-for-sale category;
- ② The recoverable amount.

(2) Recognition standards of 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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

14. 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.

15. 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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

15. 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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

15. 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 after disposal that is able to implement joint control or have significant influence over investees shall be measured at equity method and is deemed to be adjusted under equity method since the acquisition date. The surplus owners' equity that is 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 investee, the Company should recognise the net assets increased due to the capital increase of the investee 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 investment shall be deemed to be adjusted under equity method since the acquisition date.

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 and then determine whether the decisions of the relevant activities related to the arrangement 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 collective control the arrangement. If two or more parties involve in the collective 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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

15. Long-term equity investment (continued)

(4) Held-for-sale equity investment

Refer to Note III. 14 for the relevant accounting treatment of the equity investment to associates or joint ventures 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 associates or joint ventures already classified as held for sale, if 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) Methods for impairment test and impairment provision

Refer to Note III. 23 for investment to subsidiaries, associates and joint ventures and the methods for impairment provision of assets.

16. 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, and buildings that have already been leased out, etc.

Investment properties of the Company are measured initially at cost upon acquisition, and subject to depreciation or amortisation 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. 23.

The balance after the disposal income from the disposal, transfer, retirement or damage of the investment properties deducting the book value and the relevant taxes shall be recorded into the profit and loss for the current period.

17. Fixed assets

(1) Conditions for recognition of fixed assets

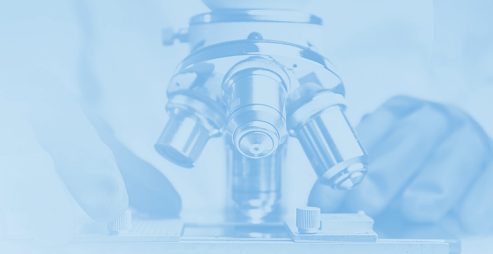
The Company's fixed assets represent the tangible assets held by the Company for using in the production of goods, rendering of services, leasing out or for operation and administrative purposes with useful life over one accounting year.

The fixed asset can be recognised only when it is probable that the related economic benefits will flow to the entity 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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

17. Fixed assets (continued)

(1) Conditions for recognition of fixed assets (continued)

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 according to beneficiaries when incurred. The carrying amount of the replaced part is derecognised.

(2) Depreciation methods of fixed assets

Fixed assets are depreciated using the equal annual instalment method. Fixed assets start to be depreciated when the assets are ready for their intended use and stop to be depreciated when the assets are derecognised or classified as held-for-sale 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:

Category	Useful life (year)	Residual rate (%)	Annual depreciation rate (%)
Properties and buildings	20	5-10	4.75-4.5
Machine and equipment	10	5-10	9.5-9
Transportation equipment	5	5-10	19-18
Electric equipment and others	5	5-10	19-18

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. 23 methods 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, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes is recognised in profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

18. 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.

The standards for transfer of construction in progress of the Company to fixed assets are as follows:

Category	Standards for transfer to fixed assets
Properties and buildings	(1) the main construction works and ancillary works have been substantially completed; (2) the construction project meets the pre-determined design requirements and it has been inspected and accepted by survey, design, construction, supervision and other entities; (3) they have been inspected and accepted by departments such as fire protection department, land and resources department, planning department; (4) they have passed the on-site GMP inspection and received the certificate of GMP compliance inspection if they are subject to GMP certification; (5) if the construction projects reach the expected usable state but has not yet completed the final account, they will be transferred to fixed assets at the estimated value based on the actual cost of construction from the date when they reach the expected usable state.
Production and ancillary equipment subject to installation and commissioning	(1) the relevant equipments and other ancillary facilities have been installed; (2) the equipments can maintain a normal and stable operation over a period of time after commissioning; (3) production equipments are able to steadily produce qualified products over a period of time; (4) the equipments have been inspected and accepted by asset management personnel and users; (5) they have passed the on-site GMP inspection and received the certificate of GMP compliance inspection if they are subject to GMP certification.

For provision for impairment of construction in progress, refer to Note III. 23.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

19. 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 for the current period 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, constructing or producing 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 to the extent that occurred 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 be capitalized.

(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 amount is determined by multiplying the weighted average of the excess amount of cumulative expenditures on the asset over the amount specific borrowings by the capitalization rate of the general borrowings used. The capitalization rate of the general borrowing is determined on the basis of the weighted average effective interest rate of general borrowings.

During the capitalization period, the exchange differences on foreign currency special borrowings shall be capitalized; the exchange differences on foreign currency general borrowings shall be recognised as current profits or losses.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

20. 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.

(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.

21. 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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

21. Intangible assets (continued)

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.
- 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, hence no gains or losses shall be recognised.
- 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	Basis for determining useful life	Amortisation	Notes
Land use rights	50 years	Registration period of land use rights certificate	Equal annual instalment method	
Patent and technical know-how	1-10 years	The shorter of the expected period of benefits and the patent validity period	Equal annual instalment method	
Software	2-5 years	Expected period of benefits	Equal annual instalment method	
Trademark rights	5 years	The shorter of the expected period of benefits and the trademark validity period	Equal annual instalment method	
Others	10 years	Expected period of benefits	Equal annual instalment method	

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

21. Intangible assets (continued)

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. 23 for the provision of impairment of intangible assets.

22. Research and development expenditure

The Company's research and development expenses are expenses directly related to the Company's research and development activities, including the compensation of research and development employee, direct investment expenses, depreciation expenses and long-term deferred expenses, equipment commissioning expenses, amortisation expenses of intangible asset, outsourced external research and development expenses, clinical trial expenses, other expenses, etc. Shared equipment, production lines and sites for research and development activities and other production and operation activities are included in research and development expenses according to the allocation of the proportion of working hours and area.

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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

22. Research and development expenditure (continued)

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 production technology or formulation 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.

23. 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, deferred income tax assets and financial assets) is determined as follows:

On the balance sheet date, the Company determines whether there may be indication of impairment of assets, if there is any indication 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 are not yet ready for use are tested for impairment annually regardless of whether such indication 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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

23. Impairment of assets (continued)

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.

24. Long-term deferred expenses

The Company's long-term deferred expenses are measured at actual cost and evenly amortized on straight-line basis 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.

25. Employee compensation

(1) The scope of employee compensation

Employee compensation refers to all forms of remuneration and 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. The Company is only involved in defined contribution plans.

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 any defined contribution plan is recognised as a liability and included in the profit or loss for the current period or related asset costs.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

25. Employee compensation (continued)

(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.

(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.

26. 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 as its present value of 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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

27. 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.

(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 before the relevant liabilities are settled and settlement date, the fair value of liabilities is remeasured and the resulting changes are included in the profit and loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

27. Share-based payment and equity instruments (continued)

(4) Accounting treatment for implementation, amendment and termination of share-based payment plans (continued)

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 fulfill non-exercising conditions but have not fulfilled during the pending period, the Company will treat the granted equity instruments as cancelled.

(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 the other 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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

27. 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 (continued)

- 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.

28. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

29. Revenue

(1) General principles

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 allocate 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 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 or 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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

29. Revenue (continued)

(1) General principles (continued)

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.11(6)). The Company shall present any unconditional (i.e. if only the passage of time is required) rights to consideration from the customer 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.

(2) Specific methods

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.

The credit period granted by the Company to various customers is consistent, and there is no significant financing component.

The cooperation model between the Company and its distributors is buy-out sales, and the sales revenue recognition under the distribution model is consistent with the direct sales model.

For sales with a sales return clause, revenue is recognised to the extent that it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The Company recognises liabilities according to the expected refund amount, and recognises the balance of the book value when the goods expected to be returned are transferred, net of the estimated costs to recover the goods (including the impairment of the value of the returned goods) as an asset.

30. Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract.

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. Other expenses incurred by the Company for obtaining the contract, except for the incremental costs expected to be recovered, are recognised in profit or loss for the current period when incurred.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Contract costs (continued)

If the costs to fulfil a contract 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 or anticipated contract, including direct labour, direct materials, manufacturing overheads (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 basis that is consistent with the revenue recognition of the goods or services relating the assets 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 happened for the transfer of related goods or services.

The costs of contract performance recognised as assets, if the amortisation period is not more 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 not more 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.

31. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

31. Government grants (continued)

Regarding the government grant which is 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 phases 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 period for which the relevant cost or loss is recognised. 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. Under other circumstances, it is directly recognised in the profit or loss for the current period.

32. 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.

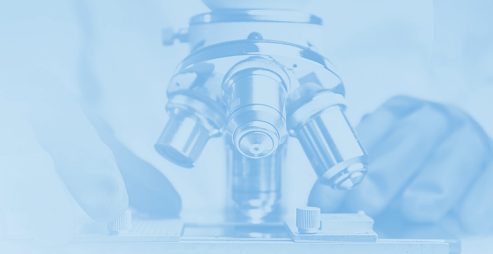
Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base are recognised as deferred income tax using the balance sheet liability method.

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 (except for a single transaction that gives rise to equal taxable temporary differences and deductible temporary differences arising from the assets and liabilities initially recognised);
- (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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

32. 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 (except for a single transaction that gives rise to equal taxable temporary differences and deductible temporary differences arising from the assets and liabilities initially recognised);
- (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.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are presented on a net basis after offsetting when all the following conditions are met:

- (1) The taxpayer within the Company has the legal right to settle the current income tax assets and current income tax liabilities on a net basis;
- (2) The deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same taxation authority on the same taxpayer within the Company.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

33. 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. 34.

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

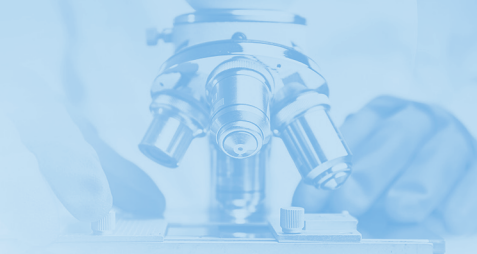
Leases of low-value assets refer to a lease with a value of less than RMB0.04 million when the individual leased asset is a brand-new asset.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

33. Leases (continued)

(2) The Company as the lessee (continued)

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.

(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 finance lease, the Company uses the net lease investment as the carrying amount of finance lease receivables at the inception of a lease. The net lease investment 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 measurement of the net lease investment, which are obtained by the Company as a lessor, are recognised in profit or loss as actually incurred.

The derecognition and impairment of financial 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 or loss for the current period when they actually occur.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

33. Leases (continued)

(3) The Company as the lessor (continued)

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 a finance 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 finance 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".

34. 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 liabilities; 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 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 liabilities.

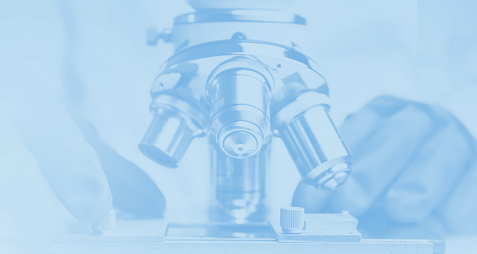
(2) Depreciation method of right-of-use assets

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. 23.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

35. 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 recognised as capital reserve when the treasury stocks are transferred, and 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 reduced by 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, and if the capital reserve is not sufficient to be offset, the excess amount shall be recognised to offset surplus reserve and undistributed profit.

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 model 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 outstanding principal, the interest based on outstanding principal and reasonable compensation paid for early termination of a contract.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

36. Significant accounting judgements and estimates (continued)

(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.

(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

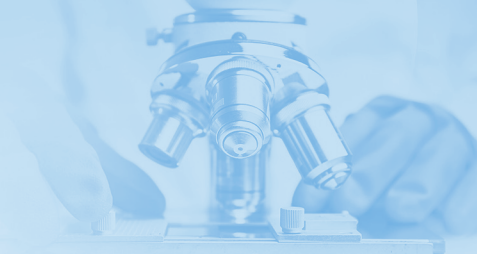
Determining the amounts to be capitalized requires the management to make assumptions regarding the expected future cash flows generated from assets, discount rates to be applied and the expected period of benefits.

(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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

36. Significant accounting judgements and estimates (continued)

(7) Revenue recognition

As stated in Note III. 29, 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.

37. Changes in significant accounting policies and accounting estimates

(1) Changes in accounting policies

None.

(2) Changes in significant accounting estimates

None.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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, 6, 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	Note 1
Enterprise income tax	Taxable income	Note 2

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 rates 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), Li Zhu (Macau) Limitada (麗珠(澳門)有限公司) and Macau Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (澳門麗珠中藥現代化科技有限公司)	0 or 12 (Tax rate is 12% where the taxable income is MOP0.6 million or more; for those with taxable income less than MOP0.6 million, 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 Medical 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 RM2.5 million or initial profit is less than RM0.6 million; tax rate is 24% where registered capital is more than RM2.5 million or initial profit is more than RM0.6 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 THE FINANCIAL STATEMENTS

From January to June 2024 (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 National Medical Products 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), Sichuan Ugandan Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司) and Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司) have been entitled to the preferential income tax policies for high and new technology enterprises since 2023 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) have re-applied for recognition as the high and new technology enterprises for the Period; 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 the subsidiaries of the Company, 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, until 31 December 2027, the portion of annual taxable income of a small low-profit enterprise which does not exceed RMB3 million is subject to enterprise income tax at a tax rate of 5%.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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 the End of the Period			Balance at the End of the Previous Year		
	Amount in foreign currency	Translation rate	Amount in RMB	Amount in foreign currency	Translation rate	Amount in RMB
Cash on hand:			190,535.71			143,780.93
RMB			190,268.55			143,506.88
EUR	34.87	7.6617	267.16	34.87	7.8592	274.05
Bank deposits:			11,357,179,094.24			11,215,951,981.42
RMB			9,979,448,838.31			10,192,476,063.80
HKD	231,762,164.01	0.91268	211,524,691.85	12,964,172.53	0.90622	11,748,392.44
EUR	92,651.10	7.6617	709,864.93	92,651.09	7.8592	728,163.45
USD	162,661,131.74	7.1268	1,159,253,353.69	141,933,328.55	7.0827	1,005,271,186.14
MOP	6,429,433.03	0.8857	5,694,548.83	6,263,135.03	0.8837	5,534,732.43
JPY	12,098,247.00	0.044738	541,251.37	3,551,792.00	0.050213	178,346.13
MYR	4,336.10	1.50948	6,545.26	9,793.47	1.54154	15,097.03
Of which: Accrued interest			8,591,339.42			44,391,492.44
Other monetary funds:			140,965,488.99			109,628,093.41
RMB			30,266,082.91			2,004,030.03
HKD	4,997,704.45	0.91268	4,561,304.90	4,980,853.40	0.90622	4,513,748.97
USD	14,892,813.21	7.1268	106,138,101.18	14,558,051.93	7.0827	103,110,314.41
Total			11,498,335,118.94			11,325,723,855.76
Of which: Total amount of overseas deposits			928,263,301.14			921,984,371.98

- 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 other amounts subject to restricted uses under charge, pledge or lock up, kept outside China and having probable risks in its collection of the balance at the End of the Period. Below are the details of the use of restricted monetary funds:

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Deposits under guarantee	9,385,768.41	4,965,960.88

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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 the Previous Year
Financial assets measured at fair value through profit or loss for the current period	67,941,574.16	81,792,081.22
Of which: Debt instrument investments	978,860.38	937,588.47
Equity instrument investments	66,961,565.41	78,238,516.48
Derivative financial assets	1,148.37	2,615,976.27
Total	67,941,574.16	81,792,081.22

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, The Stock Exchange of Hong Kong Limited 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 balance at the End of the Period.

(3) There were no hedging instruments in the balance at the End of the Period and no hedging transactions occurred during the Period.

3. Bills receivable

Type of bills	Balance at the End of the Period			Balance at the End of the Previous Year		
	Gross amount	Provision for bad debt	Carrying amount	Gross amount	Provision for bad debt	Carrying amount
Bank acceptance bills	1,383,283,947.01		1,383,283,947.01	1,459,333,093.74		1,459,333,093.74

(1) Pledged bills receivable at the End of the Period

Type	Pledged amount at the End of the Period
Bank acceptance bills	296,090,616.97

As at 30 June 2024, bills with carrying amount of RMB296,090,616.97 (31 December 2023: RMB241,568,273.18) were pledged for bank acceptance bills.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Bills receivable (continued)

(2) Endorsed or discounted bills receivable 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	50,392,845.64	
Bank acceptance bills not yet mature but already discounted		
Total	50,392,845.64	

During the Period, the Company discounted bank acceptance bills of RMB0.00 (Previous Period: RMB0.00) to a bank.

(3) The Company had 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

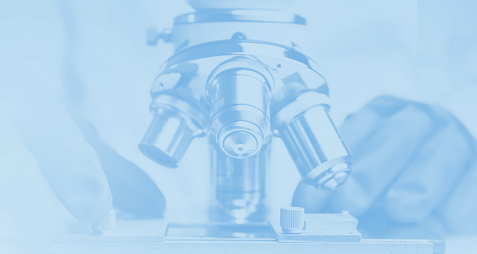
Category	Balance at the End of the Period				Balance at the End of the Previous Year				
	Gross amount		Provision for bad debt		Gross amount		Provision for bad debt		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value
Provision for bad debt on individual basis									
Provision for bad debt on collective basis	1,383,283,947.01	100.00		1,383,283,947.01	1,459,333,093.74	100.00			1,459,333,093.74
Of which:									
Bank acceptance bills	1,383,283,947.01	100.00		1,383,283,947.01	1,459,333,093.74	100.00			1,459,333,093.74
Total	1,383,283,947.01	100.00		1,383,283,947.01	1,459,333,093.74	100.00			1,459,333,093.74

Bills receivable with provision for bad debt on individual basis:

Nil.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Bills receivable (continued)

(4) Classified according to the method of provision for bad debt (continued)

Bills receivable with provision for bad debt on collective basis:

Item with provision on collective basis: Bank acceptance bills

Name	Balance at the End of the Period			Balance at the End of the Previous Year		
	Bills receivable	Provision for bad debt	Expected credit loss rate (%)	Bills receivable	Provision for bad debt	Expected credit loss rate (%)
Within 1 year	1,383,283,947.01			1,459,333,093.74		

(5) No provision for bad debt was made, recovered or reversed during the Period.

(6) No bills receivable was actually written-off during the Period.

4. Accounts receivables

(1) Disclosed using the aging analysis method

Aging	Balance at the End of the Period	Balance at the End of the Previous Year
Within 1 year		
Of which: Within 3 months (including 3 months)	2,091,861,720.83	1,858,811,501.54
4 – 6 months (including 6 months)	211,692,835.46	163,989,281.13
7 – 12 months (including 12 months)	30,485,543.94	45,010,307.95
Subtotal within 1 year:	2,334,040,100.23	2,067,811,090.62
1 – 2 years (including 2 years)	56,811,915.91	98,962,409.39
2 – 3 years (including 3 years)	9,782,140.39	2,415,386.26
Over 3 years	5,257,346.75	4,836,686.85
Subtotal	2,405,891,503.28	2,174,025,573.12
Less: Provision for bad debt	58,109,883.49	58,366,928.00
Total	2,347,781,619.79	2,115,658,645.12

According to the credit policies of the Company, the Company usually grants a credit period ranging from 30 to 90 days to its customers. The aging of accounts receivable is calculated from the date of billing.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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

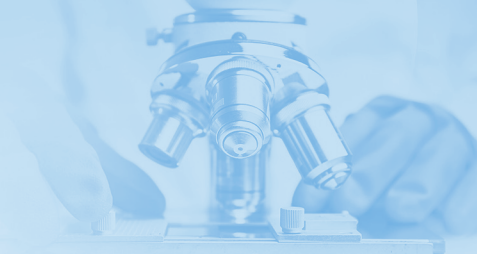
Category	Balance at the End of the Period					Balance at the End of the Previous Year				
	Gross amount		Provision for bad debt		Carrying value	Gross amount		Provision for bad debt		Carrying value
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)		Amount	Percentage (%)	Amount	Expected credit loss rate (%)	
Provision for bad debt on individual basis	666,541.66	0.03	666,541.66	100.00						
Of which:										
Due from domestic customers	518,861.41	0.02	518,861.41	100.00	518,861.41	0.02	518,861.41	100.00		
Due from overseas customers	147,680.25	0.01	147,680.25	100.00	147,346.77	0.01	147,346.77	100.00		
Provision for bad debt on collective basis	2,405,224,961.62	99.97	57,443,341.83	2.39	2,347,781,619.79	2,173,359,364.94	99.97	57,700,719.82	2.65	2,115,658,645.12
Of which:										
Due from domestic customers	1,962,570,480.08	81.57	49,993,607.78	2.55	1,912,576,872.30	1,878,807,886.66	86.42	52,207,695.16	2.78	1,826,600,191.50
Due from overseas customers	442,654,481.54	18.40	7,449,734.05	1.68	435,204,747.49	294,551,478.28	13.55	5,493,024.66	1.86	289,058,453.62
Total	2,405,891,503.28	100.00	58,109,883.49	2.42	2,347,781,619.79	2,174,025,573.12	100.00	58,366,928.00	2.68	2,115,658,645.12

Accounts receivables with provision for bad debt on individual basis:

Name	Balance at the End of the Period				Balance at the End of the Previous Year			
	Gross amount	Provision for bad debt	Expected credit loss rate (%)	Reason for making provision	Gross amount	Provision for bad debt	Expected credit loss rate (%)	Reason for making provision
Total (other customers)	666,541.66	666,541.66	100.00	Not expected to be recoverable	666,208.18	666,208.18	100.00	Not expected to be recoverable

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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)

Accounts receivables with 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 the Previous 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)	1,719,943,132.90	17,334,377.20	1.01	1,614,893,364.76	16,422,948.89	1.02
4 – 6 months (including 6 months)	143,056,519.93	7,155,089.86	5.00	120,367,902.87	6,001,373.30	4.99
7 – 12 months (including 12 months)	29,237,712.53	2,923,629.31	10.00	38,962,450.34	4,072,530.64	10.45
1 – 2 years	55,967,296.04	11,198,673.84	20.01	97,850,956.99	19,654,379.23	20.09
2 – 3 years	9,627,333.34	6,643,352.23	69.01	2,415,386.26	1,738,637.66	71.98
Over 3 years	4,738,485.34	4,738,485.34	100.00	4,317,825.44	4,317,825.44	100.00
Total	1,962,570,480.08	49,993,607.78	2.55	1,878,807,886.66	52,207,695.16	2.78

Item with provision on collective basis: Due from overseas customers

	Balance at the End of the Period			Balance at the End of the Previous 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)	371,918,587.93	3,734,753.40	1.00	243,918,136.78	2,503,347.14	1.03
4 – 6 months (including 6 months)	68,636,315.53	3,416,284.78	4.98	43,621,378.26	2,184,445.46	5.01
7 – 12 months (including 12 months)	1,247,831.41	124,783.14	10.00	6,047,857.61	611,272.55	10.11
1 – 2 years	844,619.87	168,923.97	20.00	964,105.63	193,959.51	20.12
2 – 3 years	7,126.80	4,988.76	70.00			
Total	442,654,481.54	7,449,734.05	1.68	294,551,478.28	5,493,024.66	1.86

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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 Period	58,366,928.00
Provision for the Period	1,146,296.94
Recoveries or reversals during the Period	
Write-off during the Period	1,403,341.45
Others	
Balance at the End of the Period	58,109,883.49

As at 30 June 2024 and 31 December 2023, 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)	1,403,341.45
Total (overseas customers)	

(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 RMB206,678,845.18, representing 8.59% 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 RMB3,291,672.66.

(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 THE FINANCIAL STATEMENTS

From January to June 2024 (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	115,302,893.92	90.45	128,009,092.47	91.79
1 – 2 years	6,615,295.42	5.19	3,279,492.21	2.35
2 – 3 years	3,374,563.39	2.65	6,405,258.31	4.59
Over 3 years	2,180,519.94	1.71	1,764,381.64	1.27
Total	127,473,272.67	100.00	139,458,224.63	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 RMB23,937,898.76, representing 18.78% 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 the Previous Year
Dividends receivable		
Other receivables	53,159,500.59	32,008,338.25
Total	53,159,500.59	32,008,338.25

(1) Other receivables

① Disclosed using the aging analysis method

Aging	Balance at the End of the Period	Balance at the End of the Previous Year
Within 1 year	50,189,695.55	27,427,857.48
1 – 2 years	4,998,535.77	5,664,206.92
2 – 3 years	1,741,599.91	1,005,494.60
Over 3 years	7,315,945.34	6,929,438.08
Subtotal	64,245,776.57	41,026,997.08
Less: Provision for bad debt	11,086,275.98	9,018,658.83
Total	53,159,500.59	32,008,338.25

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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)

② Disclosed by nature

Item	Balance at the End of the Period			Balance at the End of the Previous Year		
	Gross amount	Provision for bad debt	Carrying amount	Gross amount	Provision for bad debt	Carrying amount
Deposits under guarantee, deposits and lease expenses	4,940,841.23	1,109,188.82	3,831,652.41	4,571,158.43	1,551,374.61	3,019,783.82
Reserve fund and advances	24,791,792.17	2,833,124.86	21,958,667.31	17,015,925.26	1,179,527.61	15,836,397.65
Balance with associates	4,266,764.24	43,162.85	4,223,601.39	1,542,497.41	18,827.23	1,523,670.18
Borrowing due from external entities	5,000,000.00	5,000,000.00		5,000,000.00	5,000,000.00	
Tax refund on exports	13,784,729.58	469,115.08	13,315,614.50	7,931,105.45	373,263.13	7,557,842.32
Amounts of exercised options	5,418,884.32		5,418,884.32			
Others	6,042,765.03	1,631,684.37	4,411,080.66	4,966,310.53	895,666.25	4,070,644.28
Total	64,245,776.57	11,086,275.98	53,159,500.59	41,026,997.08	9,018,658.83	32,008,338.25

③ Provision for bad debt

At the End of the Period, there was provision for bad debt in Step 1:

Category	Gross amount	Expected credit losses rate over the next 12 months (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on collective basis	5,418,884.32			5,418,884.32	
Amounts of exercised options	5,418,884.32			5,418,884.32	Recoverable
Total	5,418,884.32			5,418,884.32	

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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)

At the End of the Period, the provision for bad debt in Step 2 was as follows:

Category	Gross amount	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on collective basis					
Export tax refund receivable	13,784,729.58	3.40	469,115.08	13,315,614.50	
Deposits under guarantee, deposits and lease expenses receivable	4,940,841.23	22.45	1,109,188.82	3,831,652.41	
Other receivables	34,365,928.97	10.98	3,772,579.61	30,593,349.36	
Total	53,091,499.78	10.08	5,350,883.51	47,740,616.27	

At the End of the Period, the provision for bad debt in Step 3 was as follows:

Category	Gross amount	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on individual basis	5,735,392.47	100.00	5,735,392.47		
Other receivables	5,735,392.47	100.00	5,735,392.47		Not expected to be recoverable
Total	5,735,392.47	100.00	5,735,392.47		

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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 2023, the provision for bad debt was as follows:

As at 31 December 2023, there was no provision for bad debt in Step 1:

As at 31 December 2023, the provision for bad debt in Step 2 was as follows:

Category	Gross amount	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on collective basis	35,291,604.61	9.30	3,283,266.36	32,008,338.25	
Export tax refund receivable	7,931,105.45	4.71	373,263.13	7,557,842.32	
Deposits under guarantee, deposits and lease expenses receivable	4,571,158.43	33.94	1,551,374.61	3,019,783.82	
Other receivables	22,789,340.73	5.96	1,358,628.62	21,430,712.11	
Total	35,291,604.61	9.30	3,283,266.36	32,008,338.25	

As at 31 December 2023, the provision for bad debt in Step 3 was as follows:

Category	Gross amount	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on individual basis	5,735,392.47	100.00	5,735,392.47		
Other receivables	5,735,392.47	100.00	5,735,392.47		Not expected to be recoverable
Total	5,735,392.47	100.00	5,735,392.47		

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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)

- ④ Provision for bad debt made, recovered or reversed during the Period

	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 Period		3,283,266.36	5,735,392.47	9,018,658.83
Balance at the Beginning of the Period during the Period				
– Transferred to Step 3				
Provision for the Period		2,065,964.34		2,065,964.34
Reversal during the Period				
Write-off during the Period				
Other changes		1,652.81		1,652.81
Balance at the End of the Period		5,350,883.51	5,735,392.47	11,086,275.98

- ⑤ No other receivables were written off during the Period.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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
Tax refund on exports	Export tax refund	13,784,729.58	Within 1 year RMB12,436,411.03, 1-2 years RMB1,348,318.55	21.46	469,115.08
Shenzhen Branch of China Securities Depository and Clearing Corporation	Amounts of exercised options	5,418,884.32	Within 1 year	8.43	
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	7.78	5,000,000.00
Joincare Pharmaceutical Group Industry Co., Ltd.* (健康元藥業集團股份有限公司)	Balance with associates	3,600,000.00	Within 1 year	5.60	36,000.00
Pioneer Time Investment Limited	Security deposits	839,047.93	2-3 years	1.31	168,145.21
Total	-	28,642,661.83	-	44.58	5,673,260.29

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 THE FINANCIAL STATEMENTS

From January to June 2024 (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 the Previous Year		
	Gross amount	Provision for diminution in value	Carrying amount	Gross amount	Provision for diminution in value	Carrying amount
Raw materials	432,295,940.92	46,558,105.03	385,737,835.89	563,067,581.50	65,884,220.51	497,183,360.99
Packaging materials	114,978,302.93	15,917,158.79	99,061,144.14	104,840,433.82	14,893,906.96	89,946,526.86
Work in progress	456,526,592.66	71,497,162.88	385,029,429.78	418,974,345.20	81,151,701.90	337,822,643.30
Finished goods	1,007,832,653.87	47,882,113.47	959,950,540.40	1,138,946,322.97	198,699,606.07	940,246,716.90
Sub-contracting materials	2,227,982.25		2,227,982.25	2,918,287.46		2,918,287.46
Low-value consumables	17,783,518.98	167,524.03	17,615,994.95	32,950,905.84	603,689.52	32,347,216.32
Goods in transit	7,636,671.67		7,636,671.67	28,244,842.91		28,244,842.91
Consumable biological assets	15,565,572.87		15,565,572.87	15,384,338.39		15,384,338.39
Proprietary semi-finished goods	120,390,051.58	19,611,817.13	100,778,234.45	136,064,539.30	19,507,292.49	116,557,246.81
Total	2,175,237,287.73	201,633,881.33	1,973,603,406.40	2,441,391,597.39	380,740,417.45	2,060,651,179.94

(2) Provision for diminution in value of inventories

Item	Balance at the Beginning of the Period	Increase during the Period		Decrease during the Period		Balance at the End of Period
		Provision	Others	Reversal or write-off	Others	
Raw materials	65,884,220.51	21,078,474.81		40,404,590.29		46,558,105.03
Packaging materials	14,893,906.96	3,669,136.18		2,645,884.35		15,917,158.79
Work in progress	81,151,701.90			9,654,539.02		71,497,162.88
Finished goods	198,699,606.07	14,509,390.13		165,326,882.73		47,882,113.47
Low-value consumables	603,689.52	10,804.99		446,970.48		167,524.03
Proprietary semi-finished goods	19,507,292.49	703,205.19		598,680.55		19,611,817.13
Total	380,740,417.45	39,971,011.30		219,077,547.42		201,633,881.33

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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	Processing
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 Company at the End of the Period.

8. Other current assets

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Input VAT pending deduction/attestation	2,874,620.34	2,611,256.55
Remaining VAT credit	36,745,508.06	38,754,463.19
Advance payment of income tax	12,536,909.08	3,440,818.88
Costs of return receivable	1,405,461.96	6,536,364.62
Others	1,640,827.26	206,396.38
Total	55,203,326.70	51,549,299.62

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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 (Carrying amount)				
	Balance at the Beginning of the Period (Carrying amount)	Balance of provision for impairment at the beginning of the Period	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												
Livzon Medical Electronic Equipment (Plant) Co., Ltd. (麗珠集團麗珠醫用電子設備有限公司)	1,200,000.00	1,200,000.00										1,200,000.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	107,727,601.81				7,860,987.41			3,825,000.00				111,763,589.22
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	1,564,214.37				-107,007.99							1,457,206.38
AbCye Therapeutics Inc.	11,905,367.79				-220,691.87							11,684,675.92
L&L Biopharma, Co., Ltd. (上海健信生物醫藥科技有限公司)	15,162,780.96				-796,164.45							14,366,616.51
Zhinao Saimeed Biotech Inc. (珠海聖美生物診斷技術有限公司)	38,519,844.60				-9,883,992.39		98,635.67	15,402,326.76				44,136,814.64
Aetio Biotherapy, Inc.	15,313,840.38				27,056.06							15,340,896.44
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)	6,964,093.49		4,900,000.00		-2,436,285.92							9,427,807.57
Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd. (江蘇元素醫藥科技有限公司)	101,038,745.69				-11,734,237.97		-11,109.34	672,572.35				89,965,970.73
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	705,604,432.89				307,106,812.28							736,315,114.17
Beijing Infinite Intelligence Pharmaceutical Technology Co., Ltd. (北京英飛智藥科技有限公司)	17,570,478.01				-75,723.94							17,494,754.07
Shenzhen AlpaLife Biopharmaceutical Technology Co., Ltd. (深圳康麗生物醫藥科技有限公司)	9,888,400.85				-11,640.57			307,701.63				10,184,461.91
Total	1,032,459,800.94	1,200,000.00	4,900,000.00	-	13,332,979.65	87,526.33	16,382,600.74	3,825,000.00	-	-		1,063,337,907.56

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)	226,644,000.00	226,644,000.00
GLOBAL HEALTH SCIENCE	213,366,291.71	205,217,490.01
Nextech V Oncology S.C.S., SICAV-SIF	17,594,582.62	15,837,395.11
Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物醫藥(上海)有限公司)	35,147,356.03	35,147,356.03
ELICIO THERAPEUTICS, INC.	3,877,766.50	7,820,060.93
CARISMA THERAPEUTICS, INC.	7,781,499.48	14,907,045.58
Beijing Luzhu Biotechnology Co., Ltd. (北京綠竹生物技術股份有限公司)	46,726,284.45	63,219,286.50
Guangzhou Keentai Biomedical Technology Co., Ltd. (廣州科恩泰生物醫藥科技有限公司) (Former name: Shanghai Keentai Biomedical Technology 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	54,397,723.96	58,051,141.52
Total	617,535,504.75	638,843,775.68

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 THE FINANCIAL STATEMENTS

From January to June 2024 (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)

Continued:

Item	Gains and losses included in other comprehensive income for the Period	Cumulative gains and losses included in other comprehensive income at the End of the Period	Dividend income recognised for the Period	Cumulative gains and losses transferred to retained earnings due to derecognition	Reason for derecognition
Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)		128,620,504.00			
GLOBAL HEALTH SCIENCE	8,148,801.70	18,643,036.98			
Nextech V Oncology S.C.S., SICAV-SIF	3,487,093.13	-12,367,776.96		-1,465,979.64	Partial recovery of investments
Yizun Biopharmaceuticals (Shanghai) Co., Ltd. (羿尊生物醫藥(上海)有限公司)		2,199,036.10			
ELICIO THERAPEUTICS, INC.	-3,942,294.43	-31,485,535.55			
CARISMA THERAPEUTICS, INC.	-7,125,546.10	-31,025,766.52			
Beijing Luzhu Biotechnology Co., Ltd. (北京綠竹生物技術股份有限公司)	-12,369,751.54	12,544,713.33			
Guangzhou Keentai Biomedical Technology Co., Ltd. (廣州科恩泰生物醫藥科技有限公司) (Former name: Shanghai Keentai Biomedical Technology Co., Ltd. (上海科恩泰生物醫藥科技有限公司))					
Other	-3,105,820.57	31,319,882.86			

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Investment properties

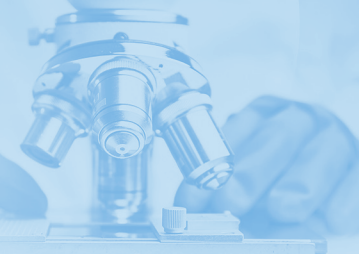
Item	Plant and building
I. Original book value	
1. Balance at the Beginning of the Period	17,727,141.51
2. Addition during the Period	
(1) Transfer from fixed assets	
3. Decrease during the Period	
4. Balance at the End of the Period	17,727,141.51
II. Accumulated depreciation and amortization	
1. Balance at the Beginning of the Period	6,960,403.94
2. Addition during the Period	420,441.72
(1) Provision or amortization	420,441.72
(2) Transfer from fixed assets	
3. Decrease during the Period	
4. Balance at the End of the Period	7,380,845.66
III. Provision for impairment	
1. Balance at the Beginning of the Period	
2. Addition during the Period	
3. Decrease during the Period	
4. Balance at the End of the Period	
IV. Carrying amount	
1. Carrying amount at the End of the Period	10,346,295.85
2. Carrying amount at the Beginning of the Period	10,766,737.57

12. Fixed assets

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Fixed assets	4,147,160,288.92	4,255,423,836.99
Disposal of fixed assets	38,808,631.84	38,808,631.84
Total	4,185,968,920.76	4,294,232,468.83

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. 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 Period	3,766,004,959.62	3,876,732,797.65	77,228,904.39	618,581,469.82	8,338,548,131.48
2. Addition during the Period	24,612,045.50	109,526,780.10	1,728,359.58	23,977,865.18	159,845,050.36
(1) Acquisition	10,675,375.47	50,196,885.89	1,627,415.33	16,522,022.84	79,021,699.53
(2) Construction in progress transferred	13,936,670.03	59,329,894.21		7,455,842.34	80,722,406.58
(3) Increase in business combination					
(4) Others			100,944.25		100,944.25
3. Decrease during the Period		40,222,608.16	2,122,594.17	8,011,694.41	50,356,896.74
(1) Disposal or written off		40,222,608.16	2,122,594.17	8,011,694.41	50,356,896.74
(2) Transfer to investment properties					
4. Balance at the End of the Period	3,790,617,005.12	3,946,036,969.59	76,834,669.80	634,547,640.59	8,448,036,285.10
II. Accumulated depreciation					
1. Balance at the Beginning of the Period	1,509,279,652.16	2,088,942,230.39	62,897,614.00	379,357,383.65	4,040,676,880.20
2. Addition during the Period	87,514,757.87	115,839,430.94	2,431,725.30	37,118,138.06	242,904,052.17
(1) Provision	87,514,757.87	115,839,430.94	2,326,380.37	37,118,138.06	242,798,707.24
(2) Increase in business combination					
(3) Others			105,344.93		105,344.93
3. Decrease during the Period		15,186,968.50	1,789,131.99	6,758,537.32	23,734,637.81
(1) Disposal or written-off		15,186,968.50	1,789,131.99	6,758,537.32	23,734,637.81
(2) Transfer to investment properties					
4. Balance at the End of the Period	1,596,794,410.03	2,189,594,692.83	63,540,207.31	409,916,984.39	4,259,846,294.56
III. Provision for impairment					
1. Balance at the Beginning of the Period	21,280,867.03	20,049,562.89		1,116,984.37	42,447,414.29
2. Addition during the Period		12,914.55		12,584.39	25,498.94
(1) Provision		12,914.55		12,584.39	25,498.94
3. Decrease during the Period		1,382,119.67		61,091.94	1,443,211.61
(1) Disposal or written-off		1,382,119.67		61,091.94	1,443,211.61
4. Balance at the End of the Period	21,280,867.03	18,680,357.77		1,068,476.82	41,029,701.62
IV. Carrying amount					
1. Carrying amount at the End of the Period	2,172,541,728.06	1,737,761,918.99	13,294,462.49	223,562,179.38	4,147,160,288.92
2. Carrying amount of balance at the Beginning of the Period	2,235,444,440.43	1,767,741,004.37	14,331,290.39	237,907,101.80	4,255,423,836.99

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Fixed assets (continued)

(1) Fixed assets (continued)

② Temporary idled fixed assets

Item	Original book value	Accumulated depreciation	Provision for impairment	Carrying amount	Remarks
Plant and building	14,243,288.67	11,482,261.32		2,761,027.35	
Machinery and equipment	23,717,341.84	21,553,983.07	663,576.62	1,499,782.15	
Electronic devices and others	621,952.26	580,793.11	7,623.41	33,535.74	
Total	38,582,582.77	33,617,037.50	671,200.03	4,294,345.24	

③ The Group has no fixed assets leased under financial leasing.

④ Fixed assets leased out under operating leases

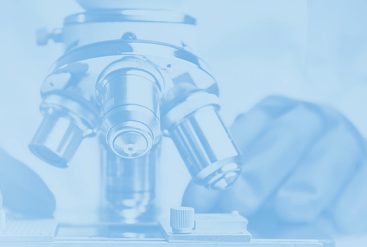
Item	Carrying amount
Plant and building	617,386.98

⑤ Fixed assets pending for certificate of ownership

Item	Carrying amount	Reasons for pending for certificate of ownership
Plant and building	106,765,070.43	Procedure in progress

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Fixed assets (continued)

(2) Disposal of fixed assets

Item	Balance at the End of the Period	Balance at the End of the Previous Year	Reasons for disposal
Overall relocation and expansion project of Sichuan Guangda	38,808,631.84	38,808,631.84	Not yet completed the transfer

13. Construction in progress

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Construction in progress	373,681,152.78	289,306,707.05
Construction supplies		
Total	373,681,152.78	289,306,707.05

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Construction in progress (continued)

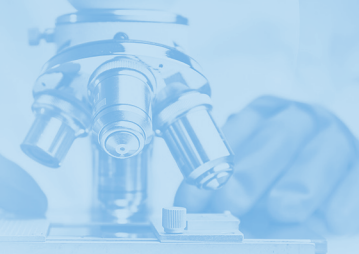
(1) Construction in progress

① Breakdown of construction in progress

Item	Balance at the End of the Period			Balance at the End of the Previous Year		
	Gross amount	Provision for impairment	Net carrying amount	Gross amount	Provision for impairment	Net carrying amount
Project of Shijiao New Factory (石角新廠項目)	14,252,057.52		14,252,057.52	11,242,321.59		11,242,321.59
Semaglutide Project (司美項目)	53,598,139.39		53,598,139.39	53,876,039.98		53,876,039.98
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	79,397,227.66		79,397,227.66	100,095,507.68		100,095,507.68
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)	1,710,588.82		1,710,588.82	1,710,588.82		1,710,588.82
P03 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥 廠P03建設項目)	21,303,358.22		21,303,358.22	243,501.31		243,501.31
Jiaozuo new factory relocation project (焦作新廠遷建項目)	102,449,980.49		102,449,980.49	67,116,236.97		67,116,236.97
Others	101,139,141.14	169,340.46	100,969,800.68	55,191,851.16	169,340.46	55,022,510.70
Total	373,850,493.24	169,340.46	373,681,152.78	289,476,047.51	169,340.46	289,306,707.05

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Construction in progress (continued)

(1) Construction in progress (continued)

② Changes of significant construction in progress

Name of Project	Balance at the Beginning of the Period	Addition 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
Project of Shijiao New Factory (石角新廠項目)	11,242,321.59	3,547,909.94	538,174.01					14,252,057.52
Semaglutide Project (司美項目)	53,876,039.98	11,208,775.67	11,486,676.26					53,598,139.39
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	100,095,507.68	9,632,063.66	30,330,343.68					79,397,227.66
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)	1,710,588.82							1,710,588.82
P03 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P03建設項目)	243,501.31	21,059,856.91						21,303,358.22
Jiaozuo new factory relocation project (焦作新廠遷建項目)	67,116,236.97	35,333,743.52						102,449,980.49
Total	234,284,196.35	80,782,349.70	42,355,193.95					272,711,352.10

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Construction in progress (continued)

(1) Construction in progress (continued)

② Changes of significant construction in progress (continued)

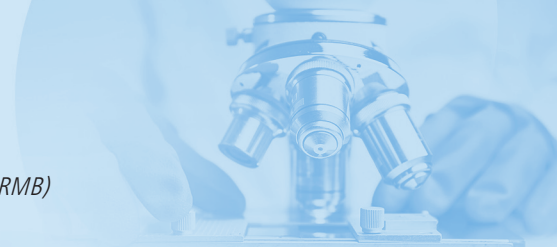
Name of Project	Budgeted amount	Percentage of accumulated cost incurred over budgeted amount (%)	Construction progress (%)	Sources of funds
Project of Shijiao New Factory (石角新廠項目)	377,005,000.00	91.21	90.00	Self-funding and raised funds
Semaglutide Project (司美項目)	168,900,000.00	59.18	60.00	Self-funding
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	306,558,388.48	95.57	95.00	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	1.35	1.00	Self-funding
P03 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P03建設項目)	106,033,900.00	20.09	20.00	Self-funding
Jiaozuo new factory relocation project (焦作新廠遷建項目)	184,261,900.00	55.60	55.00	Self-funding
Total	1,269,639,188.48	-	-	-

③ Provision for impairment of construction in progress

Item	Balance at the Beginning of the Period	Provision for the Period	Decrease in the Period	Balance at the End of the Period
Others	169,340.46			169,340.46

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Right-of-use assets

Item	Plant and building
I. Original book value:	
1. Balance at the Beginning of the Period	52,802,993.88
2. Addition during the Period	11,571,656.96
(1) Leasing	11,571,656.96
3. Decrease during the Period	8,007,305.13
4. Balance at the End of the Period	56,367,345.71
II. Accumulated depreciation	
1. Balance at the Beginning of the Period	31,894,881.32
2. Addition during the Period	11,418,819.65
(1) Provision	11,418,819.65
3. Decrease during the Period	8,007,305.13
4. Balance at the End of the Period	35,306,395.84
III. Provision for impairment	
1. Balance at the Beginning of the Period	
2. Addition during the Period	
3. Decrease during the Period	
4. Balance at the End of the Period	
IV. Carrying amount	
1. Carrying amount at the End of the Period	21,060,949.87
2. Carrying amount at the Beginning of the Period	20,908,112.56

During the Period, the Company recognized lease expenses related to short-term leases and the leases of low-value assets of RMB1.6712 million.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. 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 Period	298,548,726.43	822,786,030.77	71,106,255.18	28,716.98	10,985,294.53	1,203,455,023.89
2. Addition for the Period		11,894,648.91	2,036,757.20			13,931,406.11
(1) Acquisition		283,843.56	2,036,757.20			2,320,600.76
(2) Internal R&D		11,610,805.35				11,610,805.35
3. Decrease for the Period		1,025,000.00				1,025,000.00
(1) Disposal or deregistered		1,025,000.00				1,025,000.00
4. Balance at the End of the Period	298,548,726.43	833,655,679.68	73,143,012.38	28,716.98	10,985,294.53	1,216,361,430.00
II. Accumulated amortization						
1. Balance at the Beginning of the Period	98,617,811.00	607,860,220.69	51,696,514.89	25,139.99	7,781,250.27	765,980,936.84
2. Addition for the Period	2,856,127.44	13,012,880.51	3,534,507.83	235.86	549,264.72	19,953,016.36
(1) Provision	2,856,127.44	13,012,880.51	3,534,507.83	235.86	549,264.72	19,953,016.36
3. Decrease for the Period		1,025,165.00				1,025,165.00
(1) Disposal or written off		1,025,165.00				1,025,165.00
4. Balance at the End of the Period	101,473,938.44	619,847,936.20	55,231,022.72	25,375.85	8,330,514.99	784,908,788.20
III. Provision for impairment						
1. Balance at the Beginning of the Period	981,826.94	10,209,166.76				11,190,993.70
2. Addition for the Period						
3. Decrease for the Period						
4. Balance at the End of the Period	981,826.94	10,209,166.76				11,190,993.70
IV. Carrying amount						
1. Carrying amount at the End of the Period	196,092,961.05	203,598,576.72	17,911,989.66	3,341.13	2,654,779.54	420,261,648.10
2. Carrying amount at the Beginning of the Period	198,949,088.49	204,716,643.32	19,409,740.29	3,576.99	3,204,044.26	426,283,093.35

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 52.56%.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Intangible assets (continued)

(2) Intangible assets pending for certificates of ownership

Nil.

(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.

16. Development expenditure

	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Development expenditure	287,888,786.16	29,386,367.21	11,610,805.35	305,664,348.02

Please refer to Note VI. Research and Development Expenditure for details.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Goodwill

(1) Original book value of goodwill

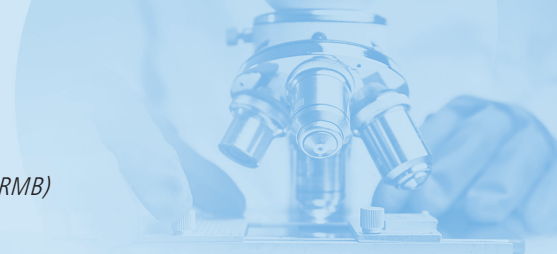
Name of investee	Balance at the Beginning of the Period	Increase in the Period		Decrease in the Period		Balance at the End of the Period
		Arose from business combination	Others	Disposal	Others	
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	47,912,269.66					47,912,269.66
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	13,863,330.24					13,863,330.24
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	46,926,155.25					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					7,271,307.03
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	2,045,990.12					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					3,492,752.58
Shanghai Zhongtuo Pharmaceutical Technology Co., Ltd. (上海中拓醫藥科技有限公司)	21,870,805.09					21,870,805.09
Total	143,382,609.97					143,382,609.97

(2) Provision for impairment of goodwill

Name of investee	Balance at the Beginning of the Period	Increase in the Period		Decrease in the Period		Balance at the End of the Period
		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					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					7,271,307.03
Total	18,471,307.03					18,471,307.03

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Goodwill (continued)

(2) Provision for impairment of goodwill (continued)

Goodwill of the Company arose from its business combination involving enterprises not under common control.

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 84.51%-85.77% and a business revenue growth rate of -0.32%~18.40% 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 56.83%-57.83% and a business revenue growth rate of 0~16.73% 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 61.26%-63.22% and a business revenue growth rate of 0~5.17% 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.

For the calculation of estimated present value of future cash flow of the asset groups related to goodwill of Shanghai Zhongtuo Pharmaceutical Technology Co., Ltd. (上海中拓醫藥科技有限公司), key assumptions are a gross margin of 8.98%-57.71% and a business revenue growth rate of 0~816.92% as well as a cash flow discount rate of 15.53%. 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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Long-term deferred expenses

Item	Balance at the Beginning of the Period	Increase during the Period	Decrease during the Period		Balance at the End of the Period
			Amortization for the Period	Other decrease	
Renovation costs of offices	24,676,971.83	1,481,335.80	3,045,663.20		23,112,644.43
Renovation costs of plants	101,024,125.13	30,786,052.69	22,328,438.28		109,481,739.54
Resins and fillers	19,139,639.91	10,665,530.97	9,602,105.43		20,203,065.45
License fee	21,962,914.49		1,689,454.98		20,273,459.51
Others	13,928,562.71	26,941,955.18	28,552,419.47		12,318,098.42
Total	180,732,214.07	69,874,874.64	65,218,081.36		185,389,007.35

19. 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 the Previous 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	192,286,690.85	32,063,161.07	185,952,050.95	29,802,090.05
Accrued expenses	508,972,005.01	76,373,014.18	480,769,741.16	72,388,453.94
Deductible losses	534,227,060.34	81,476,345.64	360,530,212.96	56,559,983.48
Deferred income	210,146,207.12	37,343,252.42	261,732,990.84	39,273,948.62
Unrealized gains from intra-company transactions	196,797,871.84	29,483,022.65	261,650,441.32	39,414,182.87
Share incentive costs	172,698,652.44	25,934,246.63	160,616,539.21	24,121,929.62
Changes in fair value	11,329,651.22	1,903,430.70	6,788,598.30	1,118,844.82
Lease liabilities	21,711,366.88	3,310,614.79	21,235,216.59	3,228,721.46
Other deductible temporary difference	239,799,841.81	36,016,121.69	239,768,330.13	36,016,121.69
Subtotal	2,087,969,347.51	323,903,209.77	1,979,044,121.46	301,924,276.55
Deferred income tax liabilities:				
Valuation of financial instruments held for trading and derivative financial instruments	9,148,562.87	1,493,614.83	17,029,426.44	2,638,712.36
Changes in fair value of other equity instruments through other comprehensive income	257,783,970.06	41,278,069.71	277,123,738.37	45,949,550.72
Accelerated depreciation of fixed assets	982,512,635.40	148,588,469.47	989,226,480.81	149,502,458.97
Unrealized gains from intra-company transactions	56,940,000.00	8,541,000.00	56,940,000.00	8,541,000.00
Right-of-use assets	21,060,949.87	3,212,134.61	20,908,112.56	3,180,570.77
Subtotal	1,327,446,118.20	203,113,288.62	1,361,227,758.18	209,812,292.82

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19. 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 the Previous Year
Deductible temporary difference	484,768,409.75	705,890,030.05
Deductible losses	3,509,837,420.85	3,277,227,008.58
Total	3,994,605,830.60	3,983,117,038.63

(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 the Previous Year	Remarks
2024	338,055,436.43	346,142,552.31	
2025	407,938,352.20	408,024,891.88	
2026	555,022,631.12	555,026,002.05	
2027	714,969,701.62	720,950,750.34	
2028	1,113,026,403.45	1,113,027,397.26	
2029	239,612,769.10		
Indefinite	141,212,126.93	134,055,414.74	
Total	3,509,837,420.85	3,277,227,008.58	

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Other non-current assets

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Remaining VAT credit	3,338,832.19	3,338,552.19
Prepayment for acquisition of project and equipment	184,978,965.33	168,256,581.68
Time deposits	250,000,000.00	
Total	438,317,797.52	171,595,133.87

21. Assets with restricted ownership or right of use

Item	At the End of the Period			Restricted situation
	Book balance	Carrying value	Type of restrictions	
Monetary funds	9,385,768.41	9,385,768.41	Locked up	Deposits for letters of guarantee and other businesses
Bills receivable	296,090,616.97	296,090,616.97	Pledged	Pledged bills receivable for the bill pool business
Total	305,476,385.38	305,476,385.38		

Continued:

Item	At the End of the Previous Year			Restricted situation
	Book balance	Carrying value	Type of restrictions	
Monetary funds	4,965,960.88	4,965,960.88	Locked up	Deposits for letters of guarantee and other businesses
Bills receivable	241,568,273.18	241,568,273.18	Pledged	Pledged bills receivable for the bill pool business
Total	246,534,234.06	246,534,234.06		

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. 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	1,850,000,000.00	1,850,000,000.00
Loans on guarantee		10,009,625.00
Total	1,850,000,000.00	1,860,009,625.00

(2) The Company has no overdue but outstanding short-term loans.

23. Bills payables

Type	Balance at the End of the Period	Balance at the End of Last Year
Bank acceptance bills	1,083,646,032.73	894,588,217.10

The Company has no due but unpaid bills payables for the Period.

24. Accounts payables

Item	Balance at the End of the Period	Balance at the End of Last Year
Within 3 months (including 3 months)	377,587,379.53	447,393,757.99
4 – 6 months (including 6 months)	20,111,673.45	63,278,870.98
7 – 12 months (including 12 months)	108,261,174.93	102,196,320.36
1 – 2 years (including 2 years)	40,676,701.84	77,332,024.34
Over 2 years	84,541,512.76	73,624,184.02
Total	631,178,442.51	763,825,157.69

(1) The aging of accounts receivables is calculated from the date of billing.

(2) As at the End of the Period, there was no significant accounts payables aged over 1 year.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Contract liabilities

Item	Balance at the End of the Period	Balance at the End of Last Year
Within 1 year	78,068,292.15	119,693,793.53
Over 1 year	8,664,171.69	18,304,600.56
Total	86,732,463.84	137,998,394.09

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 Period is RMB87,616,021.18.

26. Employee benefits payables

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Short-term remuneration	263,140,978.74	867,623,928.11	891,359,312.83	239,405,594.02
Post-resignation benefits – defined contribution plans	8,910.00	58,282,561.51	58,260,762.04	30,709.47
Dismissal benefits	1,282,742.00	382,512.80	1,647,254.80	18,000.00
Total	264,432,630.74	926,289,002.42	951,267,329.67	239,454,303.49

(1) Short-term remuneration

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Salaries, bonuses, allowances and subsidies	261,984,429.74	792,499,190.36	816,358,725.65	238,124,894.45
Employee welfare	814,280.51	26,578,192.85	26,581,360.52	811,112.84
Social insurance fees	5,486.40	22,984,882.80	22,977,596.65	12,772.55
Including:				
1. Medical insurance fees	5,400.00	20,737,128.21	20,731,494.95	11,033.26
2. Work-related injury insurance fees	86.40	1,759,160.76	1,758,377.51	869.65
3. Maternity insurance fees		488,593.83	487,724.19	869.64
Housing provident fund	212,842.40	24,186,052.13	24,061,457.93	337,436.60
Labour union fees and employee education fees	123,938.12	1,375,609.97	1,380,172.08	119,376.01
Special funds of the share ownership scheme	1.57			1.57
Total	263,140,978.74	867,623,928.11	891,359,312.83	239,405,594.02

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Employee benefits payables (continued)

(2) Defined contribution plan

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Post-resignation benefits	8,910.00	58,282,561.51	58,260,762.04	30,709.47
Including:				
1. Basic pension insurance fees	8,640.00	56,282,228.04	56,262,007.16	28,860.88
2. Unemployment insurance fees	270.00	2,000,333.47	1,998,754.88	1,848.59
Total	8,910.00	58,282,561.51	58,260,762.04	30,709.47

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.

27. Taxes payables

Taxes	Balance at the End of the Period	Balance at the End of Last Year
Value added tax	80,955,059.13	85,152,511.07
Urban maintenance and construction tax	8,042,141.13	7,963,093.23
Enterprise income tax	129,686,323.50	181,581,949.67
Property tax	7,988,667.26	9,596,056.19
Land use tax	2,004,014.07	2,673,149.79
Individual income tax	1,600,001.83	3,693,389.98
Stamp duty	1,796,560.37	2,308,413.45
Education surcharges	5,333,240.64	5,267,235.91
Flood prevention fees	20,300.76	20,300.76
Others	1,025,476.34	831,895.23
Total	238,451,785.03	299,087,995.28

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Other payables

Item	Balance at the End of the Period	Balance at the End of Last Year
Dividends payable	914,204,622.87	12,478,280.13
Other payables	3,171,106,292.76	3,145,172,753.46
Total	4,085,310,915.63	3,157,651,033.59

(1) Dividends payable

Item	Balance at the End of the Period	Balance at the End of Last Year
Dividends on ordinary shares	903,513,944.70	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	5,778,078.98	6,709,282.62
Staff shares of subsidiaries	3,711,889.19	4,548,113.05
Total	914,204,622.87	12,478,280.13

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	5,778,078.98	Not yet paid
Staff shares of subsidiaries	3,711,889.19	Not yet paid
Total	10,690,678.17	—

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Other payables (continued)

(2) Other payables

Item	Balance at the End of the Period	Balance at the End of Last Year
Office expenses	86,763,718.17	83,331,804.21
Deposits under guarantees	66,052,292.64	72,157,862.64
Utilities expenses	30,286,439.41	31,966,742.90
Research expenses	27,153,406.25	38,500,715.04
Business promotion expenses	2,836,766,487.47	2,747,452,284.71
Technology transfer funds	4,470,409.52	8,700,644.18
Balance with associates	18,218,129.90	13,256,379.28
Advisory, consultancy and information disclosure expenses	5,151,600.53	6,859,179.42
Business meeting expenses	10,745,522.02	8,607,166.46
Others	85,498,286.85	134,339,974.62
Total	3,171,106,292.76	3,145,172,753.46

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.

At the End of the Period, there was no significant other payables aged over 1 year.

29. Non-current liabilities due within one year

Item	Balance at the End of the Period	Balance at the End of Last Year
Long-term loans due within one year	1,452,519,372.50	647,474,883.29
Lease liabilities due within one year	13,937,363.58	12,204,594.02
Total	1,466,456,736.08	659,679,477.31

(1) Long-term loans due within one year

Item	Balance at the End of the Period	Balance at the End of Last Year
Loans on guarantee	1,452,519,372.50	647,474,883.29

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Other current liabilities

Item	Balance at the End of the Period	Balance at the End of Last Year
Tax for items pending for settlement	3,941,622.25	9,933,488.90
Refund payable	7,472,997.14	39,844,637.92
Total	11,414,619.39	49,778,126.82

31. 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	234,776,940.63	2.50%-2.95%	265,183,640.45	2.70%-3.05%
Loans on guarantee	1,932,024,139.57	2.65%-3.60%	1,995,064,521.83	2.65%-3.60%
Subtotal	2,166,801,080.20		2,260,248,162.28	
Less: Long-term loans due within 1 year	1,452,519,372.50	2.65%-3.60%	647,474,883.29	2.65%-3.60%
Total	714,281,707.70		1,612,773,278.99	

32. Lease liabilities

Item	Balance at the End of the Period	Balance at the End of Last Year
Amount payable under lease	21,711,366.88	21,235,216.59
Less: Lease liabilities due within one year	13,937,363.58	12,204,594.02
Total	7,774,003.30	9,030,622.57

During the Period, the amount of interest expenses of lease liabilities was RMB0.9634 million, which was recorded in finance expenses – interest expenses.

33. Deferred gains

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period	Reason
Government grants	269,370,462.59	7,904,000.00	21,155,703.29	256,118,759.30	

For details of the government grants included in deferred income, see Note VIII. Government grants.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. 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	90,000,000.00	90,000,000.00

35. Share capital

January to June 2024

Item	Balance at the Beginning of the Period		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. Shares held by State Government								17,306,329	1.87
2. Shares held by State-owned entities	17,306,329	1.87						17,306,329	1.87
3. Shares held by other domestic holders	2,604,405	0.28				-65,301	-65,301	2,539,104	0.27
Including: Shares held by domestic natural persons	2,604,405	0.28				-65,301	-65,301	2,539,104	0.27
4. Shares held by foreign holders									
Including: Shares held by foreign natural persons									
Shares subject to selling restrictions in aggregate	19,910,734	2.15				-65,301	-65,301	19,845,433	2.14
II. Shares not subject to selling restrictions									
1. Ordinary shares denominated in Renminbi	594,196,188	64.31	5,166,145			65,301	5,231,446	599,427,634	64.71
2. Overseas listed foreign shares (H-share)	309,831,217	33.54				-2,778,800	-2,778,800	307,052,417	33.15
Shares not subject to selling restrictions in aggregate	904,027,405	97.85	5,166,145			-2,713,499	2,452,646	906,480,051	97.86
III. Total number of shares	923,938,139	100.00	5,166,145			-2,778,800	2,387,345	926,325,484	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 2,539,104 locked shares held by the senior management.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Share capital (continued)

January to June 2023

Item	Balance at the Beginning of the Period		Issuance of new shares	Changes for the Period (+ -)				Subtotal	Balance at the End of the Period	
	Amount	Percentage (%)		No. of bonus shares	Reserve fund capitalized	Others	Amount		Percentage (%)	
I. Shares subject to selling restrictions										
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	0.26						2,501,537	0.26	
Including: Shares held by domestic natural persons	2,501,537	0.26						2,501,537	0.26	
4. Shares held by foreign holders	53,235	0.01						53,235	0.01	
Including: Shares held by foreign natural persons	53,235	0.01						53,235	0.01	
Shares subject to selling restrictions in aggregate	19,861,101	2.12						19,861,101	2.12	
II. Shares not subject to selling restrictions										
1. Ordinary shares denominated in Renminbi	605,860,369	64.76						605,860,369	64.76	
2. Overseas listed foreign shares (H-share)	309,831,217	33.12						309,831,217	33.12	
Shares not subject to selling restrictions in aggregate	915,691,586	97.88						915,691,586	97.88	
III. Total number of shares	935,552,687	100.00						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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. Capital reserve

January to June 2024

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Share premium	1,029,948,025.05	188,062,340.99	154,574,957.42	1,063,435,408.62
Other capital reserve	292,550,449.18	30,130,814.70	29,963,641.00	292,717,622.88
Total	1,322,498,474.23	218,193,155.69	184,538,598.42	1,356,153,031.50

The increase in the share premium for the Period represented: ① an increase in share premium of RMB156,585,854.95 as a result of the exercise of 5,166,145 share options during the Period, and the withdrawal of share incentive expenses of RMB29,963,641.00 was transferred from other capital reserves 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 RMB1,512,845.04, the share premium was decreased accordingly.

The decrease in the share premium in the Period represented: ① the decrease in share premium of RMB59,284,456.07 as a result of cancellation of 2,778,800 repurchased shares; ② the decrease in share premium due to the difference of RMB95,290,501.35 between the capital contribution and the corresponding net assets shares of the subsidiary for the disproportionate capital increase to a subsidiary.

Other capital reserve increase for the Period represented: ① withdrawal of share incentive expenses of RMB13,748,213.96; ② capital reserve increase of RMB16,382,600.74 due to changes in equity calculated under the equity method. The decrease in other capital reserve for the Period represented: the withdrawal of share incentive expenses of RMB29,963,641.00 was transferred from other capital reserves into share premium.

January to June 2023

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Share premium	1,422,329,567.31		523,427.64	1,421,806,139.67
Other capital reserve	205,148,795.29	31,556,638.82		236,705,434.11
Total	1,627,478,362.60	31,556,638.82	523,427.64	1,658,511,573.78

The decrease in the share premium in the Period represented: 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 RMB523,427.64, the share premium was decreased accordingly.

Other capital reserve increase for the Period includes: ① withdrawal of share incentive expenses of RMB31,545,798.73; ② capital reserve increase of RMB10,840.09 due to changes in equity calculated under the equity method.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. Treasury shares

January to June 2024

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Repurchase of A Shares and H Shares		135,510,814.56	62,063,256.07	73,447,558.49

The increase in treasury shares for the Period represented: the repurchase of the total amount of capital used for 4,931,400 Shares of the Company through centralized bidding transactions by the Company. The decrease in treasury shares for the Period represented: the cancellation of 2,778,800 repurchased shares.

January to June 2023

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Repurchase of A Shares and H Shares	55,936,280.81	142,667,039.66		198,603,320.47

The increase in treasury shares for the Period represented: the repurchase of the total amount of capital used for 4,132,948 A Shares through centralized bidding transactions by the Company.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Other comprehensive income

January to June 2024

Item	Amount for the Period							Balance at the End of the Period (4) = (1) -(2) +(3)
	Balance at the Beginning of the Period (1)	Amount incurred before income tax for the Period	Less: Amount recognized in other comprehensive income in previous period transferred to profit or loss for current period	Less: Amount recognized in other comprehensive income in previous period transferred to retained earnings for current period (2)	Less: income tax expenses	Attributable to parent company after tax (3)	Attributable to minority interests after tax	
I. Other comprehensive income not to be reclassified into profit or loss	154,381,888.45	-19,578,365.31		-1,465,979.64	-4,671,481.01	-14,907,517.81	633.51	140,940,350.28
1. Other comprehensive income not to be reclassified into profit or loss under equity method	22,492,256.04							22,492,256.04
2. Change in fair value of investments in other equity instruments	131,889,632.41	-19,578,365.31		-1,465,979.64	-4,671,481.01	-14,907,517.81	633.51	118,448,094.24
II. Other comprehensive income to be reclassified into profit or loss	-11,310,320.60	6,498,610.60				6,367,626.34	130,984.26	-4,942,694.26
1. Other comprehensive income to be reclassified into profit or loss under equity method	435,839.62	87,526.33				87,526.33		523,365.95
2. Translation differences of financial statements denominated in foreign currency	-11,746,160.22	6,411,084.27				6,280,100.01	130,984.26	-5,466,060.21
Total other comprehensive income	143,071,567.85	-13,079,754.71		-1,465,979.64	-4,671,481.01	-8,539,891.47	131,617.77	135,997,656.02

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Other comprehensive income (continued)

January to June 2023

Item			Amount for the Period						Balance at the End of the Period (3) = (1) + (2)
	Balance at the Beginning of the Period (1)	Amount incurred before income tax for the Period	Less: Amount recognized in other comprehensive income in previous period transferred to profit or loss for current period	Less: Amount recognized in other comprehensive income in previous period transferred to 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									
1. Other comprehensive income not to be reclassified into profit or loss under equity method	19,544,123.98			4,408,075.32	6,486,598.50	-29,694,049.81	-8,941.67	19,544,123.98	
2. Change in fair value of investments in other equity instruments	190,591,914.97	-18,808,317.66		4,408,075.32	6,486,598.50	-29,694,049.81	-8,941.67	160,897,865.16	
II. Other comprehensive income to be reclassified into profit or loss									
1. Other comprehensive income to be reclassified into profit or loss under equity method	612,516.97							612,516.97	
2. Translation differences of financial statements denominated in foreign currency	-24,259,897.19	28,000,043.96				27,270,167.36	729,876.60	3,010,270.17	
Total other comprehensive income	186,488,658.73	9,191,726.30		4,408,075.32	6,486,598.50	-2,423,882.45	720,934.93	184,064,776.28	

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Surplus reserve

January to June 2024

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Statutory surplus reserve	577,212,833.75			577,212,833.75
Discretionary surplus reserve	63,796,201.34			63,796,201.34
Reserve funds	82,108,376.71			82,108,376.71
Enterprise Development Fund	21,683,742.35			21,683,742.35
Total	744,801,154.15			744,801,154.15

January to June 2023

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Statutory surplus reserve	577,212,833.75			577,212,833.75
Discretionary surplus reserve	63,796,201.34			63,796,201.34
Reserve funds	82,108,376.71			82,108,376.71
Enterprise Development Fund	21,683,742.35			21,683,742.35
Total	744,801,154.15			744,801,154.15

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Retained earnings

(1) Movement in retained earnings

Item	Amount for the Period	Amount for Previous Period	Appropriation or allocation proportion
Retained earnings at the end of last year before adjustment	10,908,185,967.49	10,437,684,823.51	–
Adjustment for total retained earnings at the Beginning of the Period (+ for increase, - for decrease)			–
Retained earnings at the Beginning of the Period after adjustment	10,908,185,967.49	10,437,684,823.51	
Add: Net profit attributable to owners of the parent company for the Period	1,170,970,883.51	1,134,570,348.55	–
Disposal of other equity instruments	-1,465,979.64	4,408,075.32	–
Less: Appropriation to statutory surplus reserve			
Dividends payable to ordinary shares	1,247,632,149.02	1,487,557,764.62	
Retained earnings at the End of the Period	10,830,058,722.34	10,089,105,482.76	

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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Retained earnings (continued)

(2) Notes to appropriation of profits

Item	Unit: RMB'000	
	The Period	Previous Period
Dividends:		
Final dividends for 2023 paid during the Year (Note 1)	344,943.84	
Final dividends for 2022 paid during the Year (Note 2)	–	583,005.55
Dividends declared after balance sheet date:		
Final dividends for 2023 (Note 1)	1,247,632.15	–
Final dividends for 2022 (Note 2)	–	1,487,557.76

Note 1: On 28 March 2024, the 2023 Annual Profit Distribution Plan was resolved and approved at the 13th meeting of the eleventh session of the Board of the Company, it is expected to distribute cash dividend of RMB13.50 (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 2023 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 14 June 2024 and RMB344,943,836.55 was paid by 30 June 2024.

Note 2: 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. The profit distribution plan was approved at the general meeting held on 21 June 2023 and RMB583,005,550.40 was paid by 30 June 2023.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. 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	6,226,475,592.88	2,098,433,204.20	6,633,707,473.33	2,362,606,373.86
Other activities	55,878,658.34	40,117,099.76	56,210,641.54	39,863,268.91
Total	6,282,354,251.22	2,138,550,303.96	6,689,918,114.87	2,402,469,642.77

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 preparations	3,223,840,454.68	607,593,445.62	3,480,289,922.63	735,172,652.92
APIs and intermediates	1,761,085,709.09	1,107,122,257.52	1,781,670,689.32	1,129,256,078.95
Traditional Chinese medicine preparations	745,009,076.82	181,982,678.11	953,849,524.45	300,521,913.06
Biological products	87,546,778.71	61,204,545.08	113,409,489.23	59,602,491.18
Diagnostic reagents and equipment	394,351,087.80	131,573,737.70	297,994,623.29	133,676,710.13
Others	14,642,485.78	8,956,540.17	6,493,224.41	4,376,527.62
Subtotal	6,226,475,592.88	2,098,433,204.20	6,633,707,473.33	2,362,606,373.86
Other activities:				
Sales materials, processing charge, etc.	27,580,493.31	20,056,377.50	20,919,112.46	15,688,458.71
Lease fees	1,502,436.26	72,552.23	4,543,502.19	947,037.18
Others	26,795,728.77	19,988,170.03	30,748,026.89	23,227,773.02
Subtotal	55,878,658.34	40,117,099.76	56,210,641.54	39,863,268.91
Total	6,282,354,251.22	2,138,550,303.96	6,689,918,114.87	2,402,469,642.77

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Operating income and operating cost (continued)

(3) Major business income and cost presented by major regions of operations

Item	Amount for the Period		Amount for Previous Period	
	Income	Cost	Income	Cost
Domestic	5,378,376,142.52	1,664,791,494.06	5,780,828,303.13	1,911,722,861.79
Overseas	848,099,450.36	433,641,710.14	852,879,170.20	450,883,512.07
Total	6,226,475,592.88	2,098,433,204.20	6,633,707,473.33	2,362,606,373.86

(4) Operating income and operating costs presented by transfer time of commodities

Item	Amount for the Period		Amount for Previous Period	
	Income	Cost	Income	Cost
Principal activities:				
Of which: recognized at a point of time	6,226,475,592.88	2,098,433,204.20	6,633,707,473.33	2,362,606,373.86
Other activities:				
Of which: recognized at a point of time	54,376,222.08	40,044,547.53	51,667,139.35	38,916,231.73
Lease income	1,502,436.26	72,552.23	4,543,502.19	947,037.18
Total	6,282,354,251.22	2,138,550,303.96	6,689,918,114.87	2,402,469,642.77

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Taxes and surcharges

Item	Amount for the Period	Amount for Previous Period
Urban maintenance and construction tax	28,208,352.93	33,269,348.88
Education surcharges	21,559,605.41	25,435,126.05
Land use tax	3,406,653.37	3,402,468.48
Property tax	12,985,470.10	11,006,820.82
Stamp duty	3,734,371.52	5,234,386.86
Vehicle and vessel usage tax	24,643.76	33,112.26
Environmental protection tax	192,092.44	126,360.70
Others	401,541.17	360,896.32
Total	70,512,730.70	78,868,520.37

Note: The bases of calculations for major taxes and surcharges are set out in Note IV. Taxation.

43. Selling expenses

Item	Amount for the Period	Amount for Previous Period
Marketing and promotional expenses	1,382,457,146.28	1,726,872,243.79
Staff salaries	300,004,057.85	184,755,018.83
Office, entertainment and travelling expenses	21,358,734.71	23,499,324.81
Business meeting expenses	10,892,647.93	9,055,187.99
Others	25,024,505.84	23,188,790.06
Total	1,739,737,092.61	1,967,370,565.48

44. Administrative expenses

Item	Amount for the Period	Amount for Previous Period
Staff salaries	170,875,605.53	125,702,017.03
Share incentive expenses	15,075,545.08	37,040,948.14
Depreciation and amortization	53,030,760.58	42,569,112.31
Advisory, consultancy and information disclosure fees	11,531,252.57	11,067,047.53
Quality project expenses	14,317,285.79	22,174,736.40
Office, entertainment and travelling expenses	25,235,880.21	20,214,148.97
Repair of utilities, transportation and miscellaneous expenses	8,243,588.09	14,937,734.16
Recruitment and staff training expenses	2,451,081.43	2,351,096.42
Auditors' fees	1,410,000.00	1,178,301.89
Others	28,764,312.23	33,694,337.49
Total	330,935,311.51	310,929,480.34

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. R&D expenses

Item	Amount for the Period	Amount for Previous Period
Material costs	79,874,097.01	73,538,548.82
Staff salaries	163,379,673.85	153,939,346.01
Testing fees	171,292,373.73	103,220,612.28
Depreciation and amortization	55,657,618.31	241,361,527.51
Outsourced research and development expenses	4,596,226.42	11,106,896.16
Others	15,858,766.81	27,616,318.85
Total	490,658,756.13	610,783,249.63

46. Finance expenses

Item	Amount for the Period	Amount for Previous Period
Interest expenses	46,250,017.10	48,692,655.31
Less: Interest income	123,741,723.21	68,714,629.36
Exchange gains/losses	-2,169,539.19	-24,017,444.89
Commission charges and others	2,068,848.14	2,586,830.40
Total	-77,592,397.16	-41,452,588.54

47. Other income

Item	Amount for the Period	Amount for Previous Period	Related to assets/ Related to income
Government grants	18,292,867.68	23,621,506.75	Related to assets
Government grants	25,439,251.19	78,283,372.59	Related to income
Tax withholding commission charges	2,386,059.18	1,985,951.71	
Extra tax deductions for tax refunds	11,849,651.69	719.61	
Total	57,967,829.74	103,891,550.66	

For specific information on government grants, please refer to Note VIII. Government grants for details; for reasons of government grants which are non-recurring profit or loss items, please refer to Note XVIII. 1.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

48. Investment income

Item	Amount for the Period	Amount for Previous Period
Long-term equity investments income under equity method	13,332,979.65	37,016,146.66
Investment income from financial assets held for trading during the holding period	191,174.96	356,166.62
Dividend income from other equity instrument investments		17,709,895.19
Investment income from disposal of financial assets held for trading (Note 1)	2,050,455.21	-5,951,264.84
Total	15,574,609.82	49,130,943.63

Note 1: Details of investment income from disposal of financial assets held for trading are as follows:

Item	Amount for the Period	Amount for Previous Period
Equity instrument investments held for trading – Stock investments		
Derivatives not designated as hedging instruments	2,050,455.21	-5,951,264.84
Of which: Forward foreign exchange contract	2,050,455.21	-5,951,264.84
Total	2,050,455.21	-5,951,264.84

49. 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	-13,850,507.06	-17,504,642.48
Of which: Debt instrument investments	41,271.91	9,573.79
Equity instrument investments	-11,276,951.07	-13,003,336.17
Derivative financial assets	-2,614,827.90	-4,510,880.10
Financial liabilities held for trading	-4,541,052.92	-14,947,349.27
Of which: Derivative financial liabilities	-4,541,052.92	-14,947,349.27
Total	-18,391,559.98	-32,451,991.75

50. Credit impairment loss ("-" represents losses)

Item	Amount for the Period	Amount for Previous Period
Bad debt loss of accounts receivables	-1,146,296.94	-21,834,234.79
Bad debt loss of other receivables	-2,065,964.34	-956,304.73
Total	-3,212,261.28	-22,790,539.52

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

51. Asset impairment loss ("-" represents losses)

Item	Amount for the Period	Amount for Previous Period
Loss on obsolete stocks	-29,114,221.59	-29,969,004.15
Impairment loss on fixed assets	-25,498.94	
Total	-29,139,720.53	-29,969,004.15

52. Gains on disposal of assets

Item	Amount for the Period	Amount for Previous Period
Gains on disposal of fixed assets ("-" represents losses)	-76,440.36	-328,226.00

53. 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	17,896.17	50.00	17,896.17
Income from scraps	976,199.33	475,611.19	976,199.33
Compensation income	493,902.89	305,178.31	493,902.89
Waiver of payables	1,830,969.81	185,479.70	1,830,969.81
Others	201,264.29	98,215.35	201,264.29
Total	3,520,232.49	1,064,534.55	3,520,232.49

54. 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	3,061,579.77	2,806,454.65	3,061,579.77
Loss on destruction or retirement of non-current assets	845,072.48	344,071.88	845,072.48
Others	3,494,542.79	2,975,830.34	3,494,542.79
Total	7,401,195.04	6,126,356.87	7,401,195.04

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

55. 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	277,701,270.44	256,551,785.16
Of which: Domestic enterprise income tax	277,701,270.44	256,551,785.16
Corporate income tax in Hong Kong and Macao		
Deferred income tax expenses	-24,006,456.41	-7,252,473.29
Total	253,694,814.03	249,299,311.87

(2) Reconciliation between income tax expenses and total profit is set out below:

Item	Amount for the Period	Amount for Previous Period
Total profit	1,608,393,948.33	1,423,370,155.37
Income tax expenses calculated at statutory tax rate	402,098,487.08	355,842,538.84
Effect of different tax rates applicable to subsidiaries	755,287.34	-383,257.44
Effect of tax reduction and exemption	-208,189,164.42	-183,622,398.00
Effect of non-taxable income	-447,604.01	-3,180,376.08
Effect of using the equity method	-818,192.54	-5,108,471.16
Effect of non-deductible expenses	3,526,520.03	2,577,039.68
Credit (charge) on deductible temporary differences on which deferred income tax assets are not recognized for the Year	2,170,515.96	9,922,116.24
Deductible losses of deferred income tax assets are not recognized for the Year	40,763,300.91	72,484,032.07
Utilization of deductible losses of deferred income tax assets not recognized in prior periods	-989,143.98	-73,506.39
Others	14,824,807.66	841,594.11
Income tax expenses	253,694,814.03	249,299,311.87

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

56. 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 ordinary 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	1,170,970,883.51	1,134,570,348.55
Of which: Net profit from continuing operations	1,170,970,883.51	1,134,570,348.55
Net profit from discontinued operations		
Weighted average number of ordinary shares of the Company outstanding	922,620,388	931,527,964
Effect of dilution – weighted average number of ordinary shares (share options)	1,266,862	1,699,538
Weighted average number of ordinary shares of the Company outstanding after adjustment	923,887,250	933,227,502
Basic earnings per share	1.27	1.22
Of which: Basic earnings per share of continuing operations	1.27	1.22
Basic earnings per share of discontinued operations	–	–
Diluted earnings per share	1.27	1.22
Of which: Diluted earnings per share of continuing operations	1.27	1.22
Diluted earnings per share of discontinued operations	–	–

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

57. 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	33,292,815.58	150,085,960.30
Interest income	159,541,876.23	85,064,551.33
Deposits for letter of credit/bank acceptance bills	5,241,995.87	541,286.78
Movements in capital and others	32,494,579.01	38,203,462.98
Total	230,571,266.69	273,895,261.39

(2) Cash paid relating to other operating activities

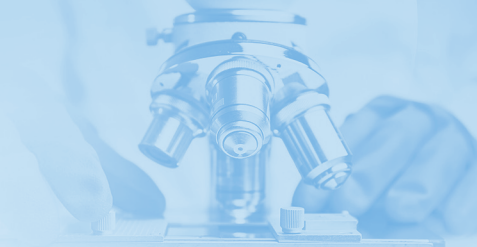
Item	Amount for the Period	Amount for Previous Period
Business promotion expenses	1,418,939,673.84	1,753,303,064.25
R&D expenses	224,311,614.00	225,462,506.23
Bank charges	2,068,848.14	2,586,830.40
Deposits for letter of credit and bank acceptance bills	9,661,803.40	216,286.78
Other expenses paid	160,175,932.50	174,128,366.42
Movements in capital and others	18,051,215.05	23,207,406.59
Total	1,833,209,086.93	2,178,904,460.67

(3) Cash received relating to major investing activities

Item	Amount for the Period	Amount for Previous Period
Fixed deposit	300,000,000.00	270,000,000.00
Cash management	102,484,966.04	
Total	402,484,966.04	270,000,000.00

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

57. Notes to cash flow statement items *(continued)*

(4) Cash received relating to other investing activities

Item	Amount for the Period	Amount for Previous Period
Deposits under guarantee		
Compensation for demolition		6,000,000.00
Total		6,000,000.00

(5) Cash paid relating to major investing activities

Item	Amount for the Period	Amount for Previous Period
Time deposits	250,000,000.00	300,000,000.00
Cash management	102,139,574.41	
Total	352,139,574.41	300,000,000.00

(6) Cash paid relating to other investing activities

Item	Amount for the Period	Amount for Previous Period
Deposits under guarantee		325,000.00
Foreign exchange forward contract losses	931,044.37	14,627,360.90
Total	931,044.37	14,952,360.90

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

57. Notes to cash flow statement items (continued)

(7) Cash received relating to other financing activities

Item	Amount for the Period	Amount for Previous Period
Collection and advance payment of individual income tax	1,040,757.54	

(8) Cash paid relating to other financing activities

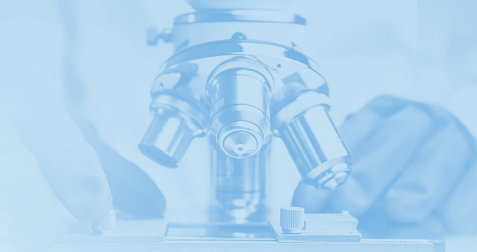
Item	Amount for the Period	Amount for Previous Period
Repurchase of shares and commission charges	135,510,814.56	142,667,039.66
Collection and advance payment of individual income tax	50,394.83	14,362.22
Rental	12,406,232.81	10,414,211.46
Total	147,967,442.20	153,095,613.34

(9) Changes in liabilities arising from financing activities

Item	Balance at the Beginning of the Period	Cash changes		Non-cash changes			Balance at the End of the Period
		Cash inflow	Cash outflow	Accrued interest	Changes in fair value	Others	
Short-term loans	1,860,009,625.00	1,850,000,000.00	1,872,271,736.08	9,864,347.20		2,397,763.88	1,850,000,000.00
Long-term loans	2,260,248,162.28	134,343,152.42	263,212,510.38	35,422,275.88			2,166,801,080.20
Lease liabilities	21,235,216.59		12,406,232.81	963,394.02		11,918,989.08	21,711,366.88
Total	4,141,493,003.87	1,984,343,152.42	2,147,890,479.27	46,250,017.10		14,316,752.96	4,038,512,447.08

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

58. 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	1,354,699,134.30	1,174,070,843.50
Add: Asset impairment loss	29,139,720.53	29,969,004.15
Credit impairment loss	3,212,261.28	22,790,539.52
Depreciation of fixed assets	243,219,148.96	254,014,458.41
Amortization of right-of-use assets	11,418,819.65	11,166,836.30
Amortization of intangible assets	19,953,016.36	211,162,861.05
Amortization of long-term deferred expenses	65,218,081.36	36,862,916.86
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" represents gains)	76,440.36	328,226.00
Loss on retirement of fixed assets ("-" represents gains)	827,176.31	344,021.88
Loss on fair value change ("-" represents gains)	18,391,559.98	32,451,991.75
Finance expenses ("-" represents gains)	48,449,991.61	45,045,509.97
Investment losses ("-" represents gains)	-15,574,609.82	-49,130,943.63
Decrease in deferred income tax assets ("-" represents increase)	-21,978,933.22	-5,537,219.38
Increase in deferred income tax liabilities ("-" represents decrease)	-2,027,523.19	-1,715,253.91
Decrease in inventories ("-" represents increase)	57,933,551.95	-242,887,522.50
Decrease in operating items receivable ("-" represents increase)	-308,491,178.27	-317,885,950.70
Increase in operating items payable ("-" represents decrease)	10,489,053.16	-10,786,124.05
Others	15,075,545.08	37,040,948.14
Net cash flow from operating activities	1,530,031,256.39	1,227,305,143.36
2. Major investment and financing activities irrelevant to cash income and expenses:		
Conversion of debts into capital		
Convertible corporate bonds due within 1 year		
The increased right-of-use assets of current period	11,571,656.96	14,230,427.76
3. Net change in cash and cash equivalents:		
Cash balance at the End of the Period	11,480,358,011.11	10,484,933,029.28
Less: Cash balance at the Beginning of the Period	10,976,366,402.44	10,072,642,681.72
Add: Balance of cash equivalents at the End of the Period		
Less: Balance of cash equivalents at the Beginning of the Period		
Net increase in cash and cash equivalents	503,991,608.67	412,290,347.56

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

58. 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.

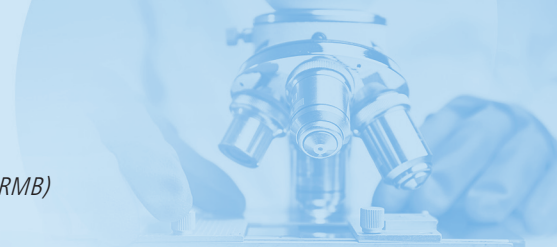
(4) Composition of cash and cash equivalents

Item	Balance at the End of the Period	Balance at the End of the Previous Period
I. Cash	11,480,358,011.11	10,484,933,029.28
Of which: Cash on hand	190,535.71	190,819.82
Bank deposits that are readily available for payment	11,339,205,564.12	10,469,009,892.21
Other monetary funds that are readily available for payment	140,961,911.28	15,732,317.25
II. Cash equivalents		
Of which: Bond investments due within 3 months		
III. Balance of cash and cash equivalents at the End of the Period	11,480,358,011.11	10,484,933,029.28

Cash and cash equivalents excluded restricted cash and cash equivalents used by the Company.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

58. Supplemental information to cash flow statement (continued)

(5) Monetary funds that are not cash and cash equivalents

Item	Balance at the End of the Period	Balance at the End of Last Year	Reasons that are not cash and cash equivalents
Deposits for letters of guarantee and other businesses	9,385,768.41	4,965,960.88	Locked up
Time deposits		300,000,000.00	Interest is accrued at a fixed rate with a maturity period of more than one year but less than one year from the balance sheet date
Accrued interest	8,591,339.42	44,391,492.44	Interest accrued
Total	17,977,107.83	349,357,453.32	

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	236,759,868.46	0.91268	216,085,996.75
EUR	92,685.97	7.6617	710,132.09
USD	177,553,944.95	7.1268	1,265,391,454.87
MOP	6,429,433.03	0.8857	5,694,548.83
JPY	12,098,247.00	0.044738	541,251.37
MYR	4,336.10	1.50948	6,545.26
Accounts receivables			
Of which: USD	61,760,278.26	7.1268	440,153,151.10
JPY	85,008,215.91	0.044738	3,803,097.56
MOP	166,738.45	0.8857	147,680.25
Other receivables			
Of which: HKD	1,098,657.34	0.91268	1,002,722.58
Accounts payables			
Of which: EUR	5,665.41	7.6617	43,406.67
Other payables			
Of which: USD	5,631,207.95	7.1268	40,132,492.82
HKD	12,720.35	0.91268	11,609.61

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

60. Leases

(1) As a lessee

Item	Amount for the Period
short-term lease expenses	1,671,216.71

(2) As a lessor

Operating leases

① Lease income

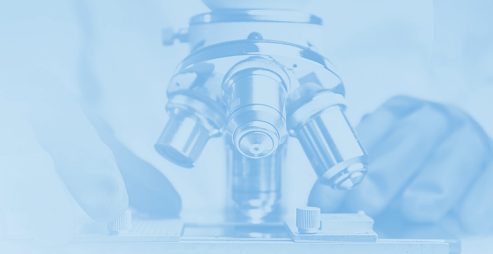
Item	Amount for the Period
Lease income	1,502,436.26

② The undiscounted lease receivables to be received in each of the five consecutive accounting years after the balance sheet date, and the total undiscounted lease receivables to be received in the remaining years.

Post balance sheet date	Balance as at the End of the Period	Balance as at the End of the Previous Year
Year 1	5,385,308.32	5,286,896.70
Year 2	1,579,860.40	2,413,201.40
Year 3	451,030.00	813,720.00
Year 4	252,000.00	252,000.00
Year 5	252,000.00	252,000.00
After 5 years	1,449,000.00	1,554,000.00
Total	9,369,198.72	10,571,818.10

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



VI. RESEARCH AND DEVELOPMENT EXPENDITURE

1. Research and development expenditure

Item	Amount for the Period		Amount for Previous Period	
	Expensed amount	Capitalised amount	Expensed amount	Capitalised amount
Material costs	79,874,097.01	2,086,757.27	73,538,548.82	246,422.23
Staff salaries	163,379,673.85		153,939,346.01	
Testing fees	171,292,373.73	12,807,877.86	103,220,612.28	21,312,667.12
Depreciation and amortization	55,657,618.31		241,361,527.51	
Purchased projects under research	4,596,226.42	14,450,298.12	11,106,896.16	103,078,200.00
Others	15,858,766.81	41,433.96	27,616,318.85	318,000.00
Total	490,658,756.13	29,386,367.21	610,783,249.63	124,955,289.35

2. Development expenditure

Item	Balance at the Beginning of the Period	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	92,425,008.50					92,425,008.50
Chemical drug preparation	195,463,777.66	14,936,069.09	14,450,298.12	11,610,805.35		213,239,339.52
Total	287,888,786.16	14,936,069.09	14,450,298.12	11,610,805.35		305,664,348.02

Significant capitalized research and development projects

Item	Progress of research and development	Anticipate how economic benefits will be generated	Point of time for commencement of capitalization	Specific basis for capitalization
JP1366 Project	The clinical trial has been approved	Marketing	Clinical stage	Obtain approval for clinical trial and evaluated by the Company

3. Purchased projects under research

The JP1366 Project has been approved for market launch in Korea, and the Company is responsible for domestic clinical trials after the purchase. The Company has assessed that the future economic benefits of the projects will probably flow to the entity, and therefore the purchase price is recognised as development expense.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES

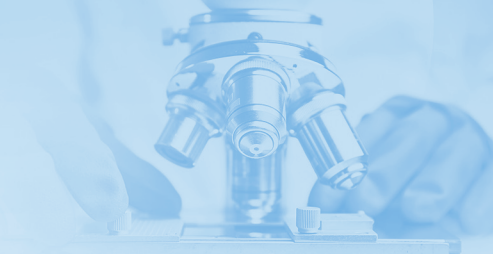
1. Equity in subsidiaries

(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	
Lizhu (Hong Kong) Co., Limited (麗珠(香港)有限公司)	Wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD451 million	100		Set-up
Ando Development Limited (安滔發展有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD0.5 million		100	Set-up
Livzon International Ventures	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD5.25 million		100	Set-up
Livzon International Ventures I	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD5.15 million		100	Set-up
Livzon International Ventures II	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD0.05 million		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 million	100		Set-up
LIVZON BIOLOGICS (MALAYSIA) SDN. BHD.	Subsidiary of a holding subsidiary	Limited company	Malaysia	Malaysia	Technology development	MYR100		100	Set-up
LIAN International Holding LTD	Subsidiary of a holding subsidiary	Limited company	Cayman	Cayman	Investment	USD0.05 million		100	Set-up
LIAN SGP HOLDING PTE. LTD	Subsidiary of a holding subsidiary	Limited company	Singapore	Singapore	Investment	SGD0.2 million		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 million	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 million	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 million	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 million	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	RMB87.33 million	36	15	Set-up
Shanghai Livzon Biotechnology Co., Ltd. (上海麗珠生物科技股份有限公司)	Subsidiary of a holding subsidiary	Limited company	Shanghai	Shanghai	Manufacture of medicine	RMB10 million		75	Set-up
Shanghai Zhongtuo Pharmaceutical Technology Co., Ltd. (上海中拓醫藥科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Shanghai	Shanghai	Technology development	RMB8 million		100	Consolidation not under common control
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	RMB128.28 million		100	Set-up

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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	
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 million		100	Set-up
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 million	47.425 (Note)		Set-up
Companhia de Macau Carason Limitada (澳門嘉安信有限公司)	Subsidiary of a holding subsidiary	Limited company	Macao	Macao	Trade of goods	MOP0.10 million		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 million		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 million		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 million		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 million		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 million		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	HKD0.01 million		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 million	10	90	Set-up
Livzon Group Livzon Baiameng 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 million	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 million	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 million	83.85		Set-up
Li Zhu (Macau) Limitada (麗珠(澳門)有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Macao	Macao	Investment	MOP0.10 million		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	RMB353.48685 million	60	40	Set-up

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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 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 million	90	10	Set-up
LivzonBio, Inc. (珠海市麗珠生物醫藥科技有限公司)	Holding subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB1,095.472334 million	56.87		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	HKD0.0004 million		100	Set-up
Zhuhai Kadi Medical Biotechnology Inc. (珠海市卡迪生物醫藥有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB1 million		100	VIE
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	RMB1,500 million		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	USD1.10 million		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 million	57.41	42.59	Consolidation not under common control
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	RMB239.8877 million	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 million		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	USD41.70 million		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	RMB26.70 million	25	75	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	RMB61.56 million	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 million		92.50	Set-up
Longxi Livzon Shenyan 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 million		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 million	55		Set-up

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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 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 million	75	25	Set-up
Wuhan Kangli Health Investment Management Co., Ltd. (武漢康麗健康投資管理有限公司)	Holding subsidiary	Limited company	Wuhan	Wuhan	Investment	RMB1,000 million	60		Set-up
Lijian (Guangdong) Animal Healthcare Co., Ltd. (麗健(廣東)動物保健有限公司)	Holding subsidiary	Limited company	Qingyuan	Qingyuan	Manufacture of medicine	RMB200 million	51		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	Manufacture of medicine	RMB130 million	50	50	Set-up
Macao Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (澳門麗珠中藥現代化科技有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Macao	Macao	Trade of goods	MOP0.10 million		100	Set-up
Linfen Lizhu Qiaoyuan Medicine Co., Ltd. (臨汾麗珠翹源藥材有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Linfen	Linfen	Crop farming	RMB5 million		51	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 104 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 72 and 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 shareholders' general meetings". Ordinary resolutions include 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.

(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	190,621,615.09	264,600,000.00	520,016,403.33
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	52.575	44,750,427.72	52,575,000.00	441,203,796.47
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	43.13	-82,657,680.65		-650,606,568.09
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	12.86	37,691,161.71		286,997,815.43

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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

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)	1,691,704,418.84	157,836,170.10	1,849,540,588.94	786,175,464.97	7,835,736.26	794,011,201.23
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	899,610,635.71	263,882,416.72	1,163,493,052.43	291,509,490.81	32,792,922.45	324,302,413.26
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	284,378,480.44	411,811,149.79	696,189,630.23	1,625,893,281.61	578,774,364.08	2,204,667,645.69
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	2,528,485,149.95	1,766,765,360.16	4,295,250,510.11	1,696,887,331.74	44,807,528.92	1,741,694,860.66

Continued (1):

Name of subsidiaries	Current assets	Non-current assets	Balance at the End of the Previous Year			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司) (consolidated)	1,755,415,063.60	159,018,275.51	1,914,433,339.11	698,725,369.92	7,835,736.26	706,561,106.18
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	960,370,975.22	275,487,887.13	1,235,858,862.35	348,436,176.85	34,012,775.42	382,448,952.27
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	388,617,888.39	566,281,020.26	954,898,908.65	890,898,698.83	1,547,257,071.47	2,438,155,770.30
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	1,942,367,503.07	1,745,812,763.30	3,688,180,266.37	1,378,934,378.40	47,253,214.06	1,426,187,592.46

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (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)

Continued (2):

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)	1,132,014,337.67	386,344,195.48	386,344,195.48	426,018,307.84	1,029,942,785.76	332,504,293.65	332,504,293.65	220,248,632.72
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	397,935,694.42	85,117,313.80	85,130,739.09	21,653,249.04	301,168,915.97	25,812,057.32	25,999,372.72	-82,832,986.63
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	26,109,614.47	-187,458,820.05	-187,459,051.35	-113,154,416.42	11,580,536.38	-396,003,747.21	-395,998,538.40	-190,760,817.48
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	1,212,645,120.04	293,088,349.30	293,088,349.30	333,285,660.16	1,305,421,320.15	317,859,904.38	317,859,904.38	200,510,564.20

(4) Transactions that result in change of owners' equity in subsidiaries without losing control

① Changes of owners' equity of in subsidiaries

The Company originally held 55.13% equity interest in LivzonBio, Inc. (珠海市麗珠生物醫藥科技有限公司) ("LivzonBio"). According to the Capital Contribution Agreement of LivzonBio (《麗珠生物科技之增資協議》) and the resolution of the general meeting of LivzonBio, the registered capital of LivzonBio will be increased from RMB889,023,284.00 to RMB1,095,472,334.00, and the newly-increased registered capital of RMB206,449,050.00 will fully paid by way of cash before 31 December 2028. The subscription consideration is RMB1,000,000,000, and the subscription consideration exceeding the subscribed capital contribution will be accounted in capital reserves. On 25 March 2024, the Company paid the first installment of capital contribution amounting to RMB160,000,000. such capital increase resulted in an increase of RMB95,290,501.35 in minority interests and a decrease of RMB95,290,501.35 in capital reserve.

② Effect of the transactions on minority interest and equity attributable to the owners of the parent company

Item	LivzonBio
Acquisition cost	
– Cash	160,000,000.00
Total acquisition cost	160,000,000.00
Less: Difference in net assets shares of subsidiaries calculated based on the proportion of equity acquired	64,709,498.65
Of which: adjustment in capital reserve	95,290,501.35

2. Business combinations involving enterprises not under common control

Nil.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES (continued)

3. Changes in the scope of consolidation due to other reasons

On 9 May 2024, Lian Hong Kong Limited (麗安香港有限公司) established LIAN International Holding LTD, with a registered capital of USD0.05 million, and was interested in 100% of its registered capital.

On 27 May 2024, LIAN International Holding LTD established LIAN SGP HOLDING PTE. LTD, with a registered capital of SGD0.2 million, and was interested in 100% of its registered capital.

On 16 April 2024, Zhuhai Liye Biotechnology Co., Ltd. was registered as de-registered.

4. 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) 2024.6.30
Owners' equity attributable to the parent company	
Net assets shares calculated based on the proportion of the shares	237,857,430.49
Adjusting items	
Of which: Goodwill	498,457,683.68
Carrying amount of equity investment in associates	736,315,114.17

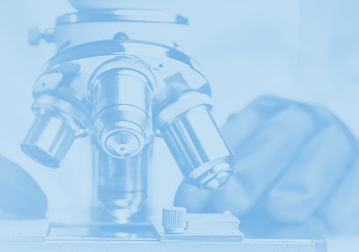
Continued:

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	490,244,406.64
Dividends received by the enterprise from associates for the Period	

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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



VII. EQUITY IN OTHER ENTITIES (continued)

4. 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 Previous Period/ Amount for Previous Period
Associates:		
Total carrying amount of investments	325,822,793.39	321,806,752.74
Total amount calculated by percentage of shareholding		
Net profit	-17,377,701.63	-11,563,132.76
Other comprehensive income	87,526.33	
Total comprehensive income	-17,290,175.30	-11,563,132.76

(4) Explanation of major restrictions on the capacity of capital transfer from associates to the Company

Nil.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

VIII. 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 Period	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	6,258,166.17		2,455,000.02		3,803,166.15	Other income	Related to assets
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				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				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	15,908,885.72		1,202,654.94		14,706,230.78	Other income	Related to assets
Pilot-scale enlargement and industrialization of prolonged-action injection Microsphere products (長效注射微球產品的中試放大和產業化)	Fiscal appropriation	80,000.00				80,000.00	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	2,400,000.00				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	904,750.00		115,500.00		789,250.00	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	720,000.22		79,999.98		640,000.24	Other income	Related to assets
Promoting Imports of Foreign Trade Development and Port Construction Special Fund (外經貿發展與口岸建設專項資金)	Fiscal appropriation	32,232.48		32,232.48			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	18,925,768.37		5,280,044.64		13,645,723.73	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	251,499.27		251,499.27			Other income	Related to assets

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

VIII. 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 Period	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
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	1,919,419.46		190,182.90		1,729,236.56	Other income	Related to assets
Technical transformation project of Shenqi Fuzheng Injection with soft bag (軟袋參芪扶正注射液技改項目)	Fiscal appropriation	8,500,000.22		499,999.98		8,000,000.24	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	3,200,429.00		564,781.68		2,635,647.32	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	4,085,234.73		841,684.24		3,243,550.49	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	284,000.00		24,000.00		260,000.00	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	1,848,718.76		147,589.26		1,701,129.50	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	3,842,385.24		222,877.68		3,619,507.56	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	84,361.58		37,665.18		46,696.40	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	2,698,032.11				2,698,032.11	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	250,000.12		53,571.42		196,428.70	Other income	Related to assets

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

VIII. 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 Period	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
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	38,350.15		12,770.43		25,579.72	Other income	Related to income
Industrial revitalisation supporting funds (產業振興扶持資金)	Fiscal appropriation	279,500.00		129,000.00		150,500.00	Other income	Related to assets
New industrialization development grant (新型工業化發展獎金)	Fiscal appropriation	5,245,866.67		75,000.00		5,170,866.67	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	100,000.32		49,999.98		50,000.34	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	11,675,000.00		675,000.00		11,000,000.00	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	4,986,666.67	1,200,000.00	79,999.98		6,106,666.69	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	2,190,000.00				2,190,000.00	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				2,000,000.00	Other income	Related to assets
Innovative drug of llaprazole sodium for injection (創新藥注射用艾普拉唑鈉針劑)	Fiscal appropriation	2,040,000.00		120,000.00		1,920,000.00	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				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準項目)	Fiscal appropriation	495,000.00		45,000.00		450,000.00	Other income	Related to assets
Cleaner production audit project (清潔生產審核項目)	Fiscal appropriation	160,000.16		4,999.98		155,000.18	Other income	Related to assets
Green factory (綠色工廠)	Fiscal appropriation	871,666.79		64,999.98		806,666.81	Other income	Related to assets
HCG project construction (HCG項目建設)	Fiscal appropriation	2,596,535.92		203,477.58		2,393,058.34	Other income	Related to assets
Sewage treatment system upgrade project (污水處理系統升級改造項目)	Fiscal appropriation	48,179.84		4,015.02		44,164.82	Other income	Related to assets

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

VIII. 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 Period	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 Recombinant Human Chorionic Gonadotropin for Injection (注射用重組人絨促性素研發及產業化)	Fiscal appropriation	837,500.00		75,000.00		762,500.00	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	642,000.00		36,000.00		606,000.00	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	1,121,666.73		64,999.98		1,056,666.75	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	37,500.00		11,250.00		26,250.00	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	39,228.59				39,228.59	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				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	58,814.10				58,814.10	Other income	Related to assets
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	3,543,246.32				3,543,246.32	Other income	Related to assets
P06 industrialization project (P06產業化項目)	Fiscal appropriation	2,788,963.33	6,704,000.00	244,723.33	2,812,400.00	6,435,840.00	Other income	Related to assets
Xiangzhou District equipment purchase subsidy supporting funds (special funds for prevention and control) (香洲區購置設備補貼扶持資金(防控專項資金))	Fiscal appropriation	6,970.29				6,970.29	Other income	Related to assets

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

VIII. 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 Period	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
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	20,000,000.00				20,000,000.00	Other income	Related to assets
Overall relocation and deployment expansion project (整體搬遷調遷擴建項目)	Fiscal appropriation	77,654,675.00		2,814,390.00		74,840,285.00	Other income	Related to assets
Environmental protection bureau RTO project special funds (環保局RTO項目資金)	Fiscal appropriation	139,999.88		10,000.02		129,999.86	Other income	Related to assets
Research and development and demonstration of key technologies for the development and utilization of marine Chinese medicine resources of swim bladder (golden croaker) (魚鰾(黃金鮫)海洋中藥資源開發與利用關鍵技術研發與示範)	Fiscal appropriation	1,000,000.00				1,000,000.00	Other income	Related to income
Large-scale production capacity building project of Recombinant SARS-CoV-2 Fusion Protein Vaccine (V-01) (重組新型冠狀病毒融合蛋白疫苗(V-01)規模化生產能力建設項目)	Fiscal appropriation	21,250,140.59		1,432,593.78		19,817,546.81	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	2,001,207.79		190,799.56		1,810,408.23	Other income	Related to assets
Innovation-driven technology industry itemization in Xiangzhou District to maintain stability (香洲區積極應對保穩創新驅動科技工業分項)	Fiscal appropriation	1,644,800.00				1,644,800.00	Other income	Related to assets
Fund for Guangdong-Hong Kong-Macao science and technology cooperation (粵港澳科技合作資金)	Fiscal appropriation	300,000.00				300,000.00	Other income	Related to assets
Total		269,370,462.59	7,904,000.00	18,343,303.29	2,812,400.00	256,118,759.30		

The above 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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

VIII. 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	751,524.46	831,000.00	Other income	Related to income
R&D subsidy (研究開發費補助)	Fiscal appropriation	70,300.00	1,187,400.00	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	1,202,654.94	1,877,654.94	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	2,455,000.02	2,455,000.02	Other income	Related to assets
Innovative drug of Ilaprazole sodium for injection (創新藥注射用艾普拉唑鈉針劑)	Fiscal appropriation	120,000.00	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	79,999.98	79,999.98	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	115,500.00	115,500.00	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	45,000.00	45,000.00	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	75,000.00	75,000.00	Other income	Related to assets
Construction of HCG Project (HCG項目建設)	Fiscal appropriation	197,824.98	203,477.58	Other income	Related to assets
Fiscal Subsidy and Operating Subsidy (財政補貼及經營運營補貼)	Fiscal appropriation	42,998,690.80	14,730,518.03	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	5,280,044.64	5,280,044.64	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	28,999.92	147,589.26	Other income	Related to assets
Import discount and supporting funds (進口貼息及配套資金)	Fiscal appropriation		129,008.00	Other income	Related to income
Promoting Imports of Foreign Trade Development and Port Construction Special Fund (外經貿發展與口岸建設專項資金)	Fiscal appropriation		32,232.48	Other income	Related to assets

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

VIII. 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
Special fund for foreign trade economic development (外經貿發展專項資金)	Fiscal appropriation	190,505.51	1,308.00	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	53,571.42	53,571.42	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	190,182.90	190,182.90	Other income	Related to assets
Technical transformation project of Shenqi Fuzheng Injection with soft bag (軟袋參芪扶正注射液技改項目)	Fiscal appropriation	1,911,764.70	499,999.98	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	551,000.04	251,499.27	Other income	Related to assets
Electricity Incentive Funds (用電獎勵資金)	Fiscal appropriation	50,000.00	12,000.00	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	418,004.00	200,000.00	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		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	2,139,156.30	1,021,217.00	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		1,148,400.00	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	1,257,556.68	1,398,356.24	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	198,909.24	198,909.24	Other income	Related to assets
Commissioner workstation (特派員工作站)	Fiscal appropriation	25,000.00		Other income	Related to assets

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

VIII. 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
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	70,000.00	130,000.00	Other income	Related to income
Energy-saving and emission reduction projects (節能減排項目)	Fiscal appropriation	43,015.02	43,015.02	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	-100,000.00	35,000.00	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	3,000,000.00		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	150,000.00		Other income	Related to income
Patent (Intellectual Property) Support Fund (專利(知識產權)資助資金)	Fiscal appropriation	457,096.00		Other income	Related to income
Optimization of structural effect of sea organisms and valuation of antitumor activity (海洋微生物構效優化與抗腫瘤活性評價)	Fiscal appropriation	99,209.17		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	100,000.02		Other income	Related to assets
Government grant for industrial transformation (工業轉型政府扶持資金)	Fiscal appropriation	75,000.09	75,000.00	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		100,000.00	Other income	Related to income
New industrialization development funds (新型工業化發展資金)	Fiscal appropriation	199,999.89		Other income	Related to assets
Industrial revitalisation supporting funds (產業振興扶持資金)	Fiscal appropriation	579,000.00	129,000.00	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	49,999.98	49,999.98	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	398,303.65	371,020.98	Other income	Related to income

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

VIII. 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
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	222,877.68	222,877.68	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	37,665.18	37,665.18	Other income	Related to income
Special funds for industry and informatization (工業和信息化專項資金)	Fiscal appropriation	223,500.00		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	638,700.00		Other income	Related to income
Provincial region major project grant (省區域重大項目補助)	Fiscal appropriation		300,000.00	Other income	Related to income
Subsidy for online monitoring equipment for coalfired boilers (燃煤鍋爐在線監控設備裝置補助)	Fiscal appropriation	11,250.00	11,250.00	Other income	Related to assets
Special funds for key leading enterprises in the 13th Five-Year Plan (2019) (十三五重點領軍企業專項資金(2019年))	Fiscal appropriation	8,501,100.00		Other income	Related to income
Green factory (綠色工廠)	Fiscal appropriation	64,999.98	64,999.98	Other income	Related to assets
Subsidies for work-based training (以工代訓補貼)	Fiscal appropriation	37,550.00		Other income	Related to income
Special Funds for Promoting High-quality Economic Development (促進經濟高質量發展專項資金)	Fiscal appropriation	4,609,789.46		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	11,837,821.00	4,296,300.00	Other income	Related to income
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	238,765.63	1,432,593.78	Other income	Related to assets
"Specialized and new" subsidy (「專精特新」補貼)	Fiscal appropriation	300,000.00		Other income	Related to income
Exchange rate hedging subsidy (匯率避險補貼)	Fiscal appropriation	74,590.00		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	28,000.00	36,000.00	Other income	Related to assets

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

VIII. 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
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	54,999.98	64,999.98	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	190,799.56		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	365,000.00		Other income	Related to assets
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	9,415,420.00	300,000.00	Other income	Related to income
Application of artificial intelligence in triptorelin long-acting microsphere preparation (人工智能在曲普瑞林長效微球製劑中的應用)	Fiscal appropriation	-479,813.48		Other income	Related to income
Overall relocation and expansion project (整體搬遷調遷擴建項目)	Fiscal appropriation		2,814,390.00	Other income	Related to assets
P06 industrialization project (P06產業化項目)	Fiscal appropriation		244,723.33	Other income	Related to assets
R&D and industrialization of long-acting injection of Micro-Nano Crystal Drugs (微納米晶體藥物長效注射劑的研發和產業化)	Fiscal appropriation		79,999.98	Other income	Related to assets
Others	Fiscal appropriation	4,050.00	108,414.00	Other income	Related to income
Total		101,904,879.34	43,732,118.87		

The above government grants were mainly from grants for projects such as enterprises operation, R&D, technology transformation, technology innovation, export credit insurance 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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

VIII. GOVERNMENT GRANTS (continued)

2. Government grants charged to profit and loss of current period by adopting gross amount method (continued)

(1) Government grants adopting the netting method to offset the relevant cost

Nil.

(2) Government grants refunded during the Period

Project	Amount	Reason
Special Fund for Promoting High-quality Development of the Real Economy of Zhuhai in 2023 (P06 industrialization project) (2023年珠海市促進實體經濟高質量發展專項資金(P06產業化項目))	2,812,400.00	Return of re-appropriation

IX. 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 loans, financial liabilities held for trading, non-current liabilities due within one year, long-term loans, 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 risk 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.

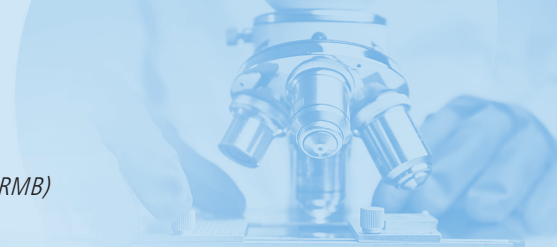
(1) Foreign exchange risk

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:

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(1) Foreign exchange risk (continued)

① 30 June 2024

Unit: RMB'000

Item	HKD item	USD item	EUR item	JPY item	MYR item	MOP item
Financial assets in foreign currency:						
Monetary funds	216,086.00	1,265,391.45	710.13	541.25	6.55	5,694.55
Financial assets held for trading	57,795.06					
Accounts receivable		440,153.15		3,803.10		147.68
Other receivables	1,002.72					
Other equity instrument investments	242,854.86					
Subtotal:	517,738.64	1,705,544.60	710.13	4,344.35	6.55	5,842.23
Financial liabilities in foreign currency:						
Accounts payable			43.41			
Other payables	11.61	40,132.49				
Subtotal:	11.61	40,132.49	43.41			

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(1) Foreign exchange risk (continued)

② 31 December 2023

Item	Unit: RMB'000					
	HKD item	USD item	EUR item	JPY item	MYR item	MOP item
Financial assets in foreign currency:						
Monetary funds	16,262.14	1,108,381.50	728.44	178.35	15.10	5,534.73
Financial assets held for trading	64,572.80					
Accounts receivable		286,358.51				147.35
Other receivables	999.50					158.67
Other equity instrument investments	244,015.26					
Subtotal:	325,849.70	1,394,740.01	728.44	178.35	15.10	5,840.75
Financial liabilities in foreign currency:						
Accounts payable		2,623.80	44.53	21,132.48		
Other payables	3,673.01	28,937.74				
Subtotal:	3,673.01	31,561.54	44.53	21,132.48		

As at 30 June 2024, in respect of the Company's financial assets and liabilities denominated in Hong Kong dollar, U.S. dollar, EUR, Japanese Yen and Macau dollar, should the value of RMB appreciate or depreciate by 5% against Hong Kong dollar, U.S. dollar, EUR, Japanese Yen and Macau dollar, and other factors remain unchanged, the Company would be subject to an increase or decrease in profit of approximately RMB109.69995 million (31 December 2023: approximately RMB83.54704 million).

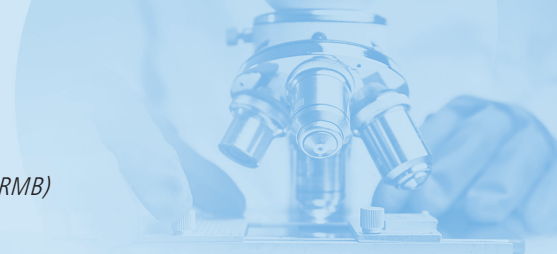
(2) Interest rate risk

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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



IX. 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 8.59% (31 December 2023: 8.02%); among other receivables of the Company, the other receivables from the top five customers accounted for 44.58% (31 December 2023: 37.30%).

(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 ensures 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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(4) Liquidity risk (continued)

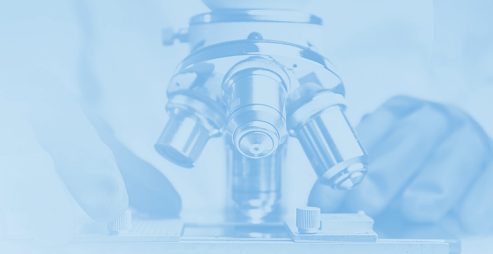
As at the balance sheet date, the contractual cash flows of financial assets and financial liabilities of the Company are presented below in terms of maturity:

① 30 June 2024

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Monetary funds	11,498,335,118.94				11,498,335,118.94
Financial assets held for trading	67,941,574.16				67,941,574.16
Bills receivable	1,383,283,947.01				1,383,283,947.01
Accounts receivable	2,347,781,619.79				2,347,781,619.79
Other receivables	53,159,500.59				53,159,500.59
Other current assets	1,405,461.96				1,405,461.96
Other non-current assets		200,000,000.00	50,000,000.00		250,000,000.00
Subtotal:	15,351,907,222.45	200,000,000.00	50,000,000.00		15,601,907,222.45
Financial liabilities:					
Short-term loans	1,850,000,000.00				1,850,000,000.00
Financial liabilities held for trading	4,627,870.04				4,627,870.04
Bills payable	1,083,646,032.73				1,083,646,032.73
Accounts payable	631,178,442.51				631,178,442.51
Other payables	4,085,310,915.63				4,085,310,915.63
Non-current liabilities due within one year	1,466,456,736.08				1,466,456,736.08
Other current liabilities	7,472,997.14				7,472,997.14
Lease liabilities		5,848,233.637	1,925,769.665		7,774,003.30
Long-term loans		557,458,786.81	156,822,920.89		714,281,707.70
Subtotal:	9,128,692,994.13	563,307,020.447	158,748,690.555		9,850,748,705.13

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(4) Liquidity risk (continued)

② 31 December 2023

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Monetary funds	11,325,723,855.76				11,325,723,855.76
Financial assets held for trading	81,792,081.22				81,792,081.22
Bills receivable	1,459,333,093.74				1,459,333,093.74
Accounts receivable	2,115,658,645.12				2,115,658,645.12
Other receivables	32,008,338.25				32,008,338.25
Other current assets	6,536,364.62				6,536,364.62
Subtotal:	15,021,052,378.71				15,021,052,378.71
Financial liabilities:					
Short-term loans	1,860,009,625.00				1,860,009,625.00
Financial liabilities held for trading	86,817.12				86,817.12
Bills payable	894,588,217.10				894,588,217.10
Accounts payable	763,825,157.69				763,825,157.69
Other payables	3,157,651,033.59				3,157,651,033.59
Non-current liabilities due within one year	659,679,477.31				659,679,477.31
Other current liabilities	39,844,637.92				39,844,637.92
Lease liabilities		6,669,342.22	2,361,280.35		9,030,622.57
Long-term loans		1,146,854,277.01	465,919,001.98		1,612,773,278.99
Subtotal:	7,375,684,965.73	1,153,523,619.23	468,280,282.33		8,997,488,867.29

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 30 June 2024, the Company's gearing ratio is 42.89% (31 December 2023: 41.04%).

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

3. Transfer of financial assets

(1) Classification of transfer methods

Transfer method	Nature of transferred financial assets	Amount of transferred financial assets	Confirmation of derecognition	Basis of judgement for derecognition
Endorse	Transfer of the right to receive cash flows from financial assets to another party	50,392,845.64	Derecognized	Derecognition of contractual rights to receive cash flows from financial assets
Discount	Transfer of the right to receive cash flows from financial assets to another party		Derecognized	Derecognition of contractual rights to receive cash flows from financial assets

(2) Financial assets derecognized on transfer

Item	Transfer method	Amount derecognized	Profits or losses related to derecognition
Bills receivable	Endorse	50,392,845.64	
Bills receivable	Discount		

On 30 June 2024, the carrying amount of the Company's bank acceptance bills undue and endorsed to suppliers for settling accounts payable was RMB50,392,845.64 (31 December 2023: RMB94,570,051.97); the Company had no commercial acceptance bills undue and endorsed to suppliers for settling accounts payable (31 December 2023: RMB0.00). On 30 June 2024, 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"). The Company is of the view that it had transferred substantially all risks and rewards of the bills. Accordingly, their carrying amounts of 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 were equal to their respective carrying amounts. In the opinion of the Company, the fair value of the Continuing Involvement was not significant.

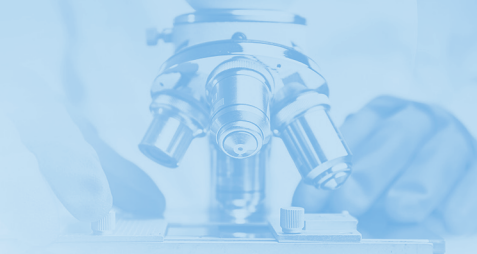
From January to June 2024, no gain or loss was generated by the Company on the date of transfer of the bills. The Company had no current or accumulated gain or expense arising from the Continuing Involvement in financial assets which had been derecognized. The endorsement was incurred evenly throughout the Period.

(3) Financial assets which are transferred but have not been derecognized in their entirety

Nil.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



X. 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.

(1) Items and amounts measured at fair value

As at 30 June 2024, 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	67,940,425.79	1,148.37		67,941,574.16
1. Debt instrument investments	978,860.38			978,860.38
2. Equity instrument investments	66,961,565.41			66,961,565.41
3. Derivative financial assets		1,148.37		1,148.37
(II) Other equity instrument investments	60,335,442.58		557,200,062.17	617,535,504.75
Total assets measured at fair value on a recurring basis	128,275,868.37	1,148.37	557,200,062.17	685,477,078.91
(III) Financial liabilities held for trading		4,627,870.04		4,627,870.04
1. Derivative financial liabilities		4,627,870.04		4,627,870.04
Total liabilities measured at fair value on a recurring basis		4,627,870.04		4,627,870.04
II. Non-recurring fair value measurement				
Held-for-sale assets				
Total assets measured at fair value on a non-recurring basis				
Total liabilities measured at fair value on a non-recurring basis				

From January to June 2024, there were no transfers of the fair value measurements of 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 values 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, the United States and other places, 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 values 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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

X. FAIR VALUE (continued)

(2) Information about the fair value measurement of level 2

Item	Fair value at the End of the Period	Valuation techniques
Derivative financial assets	1,148.37	The fair value is measured at the forward exchange rates quoted by the respective matured contract
Derivative financial liabilities	4,627,870.04	The fair value is measured at the forward exchange rates quoted by the respective matured contract

(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)	226,644,000.00	Market method
Other equity instrument investments – Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物醫藥(上海)有限公司)	35,147,356.03	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 – 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	213,366,291.71	Net assets
Other equity instrument investments – SCC VENTURE VI 2018-B,L.P.	234,721.11	Net assets
Other equity instrument investments – Nextech V Oncology S.C.S., SICAV-SIF	17,594,582.62	Net assets
Other equity instrument investments – Others	12,500,000.00	Cost

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XI. 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 Group Industry 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	23.90	23.90

Notes to the parent company of the Company:

As at 30 June 2024, the Company's parent company and its subsidiaries held a total of 418,878,625 shares in the Company, representing 45.22% 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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

3. Associates of the Company

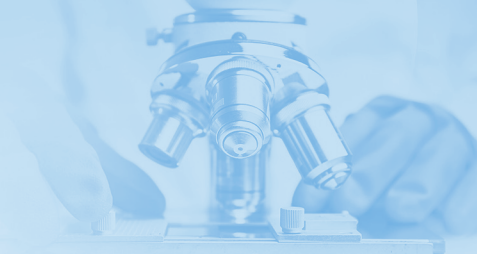
Please refer to Note V.9 and Note VII.4 for the details of the associates.

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 Medicine 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 Joincare 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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



XI. 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) Special Medicine Food 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)	Subsidiaries of the company in which a Director of the Company serves as a director
WeBank Co., Ltd. (深圳前海微眾銀行股份有限公司)	A 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 of the Company
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 of the Company
Jiangsu Yiyingjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司) and its subsidiaries	Companies controlled by a Director of the Company
Zhuhai Puxiaoying Enterprise Management Co., Ltd. (珠海市蒲小英企業管理有限公司)	A company controlled by close family members of a Director of the Company
Directors, Supervisors and other senior management personnel	Key management personnel

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions

(1) Related 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 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	1,660,884.96	1,615,292.04
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Raw materials	The market price	7,183,834.59	10,588,177.42
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱製藥有限公司)	Raw materials	The market price	187,168.14	
Joicare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	Finished goods	The market price	289,023.46	156,271.68
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Raw materials	The market price	104,212,705.09	127,942,653.47
Jiangsu Yiyinjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司) and its subsidiaries	Finished goods	The market price	29,816.00	522,085.00
Purchase of goods in aggregate			113,563,432.24	140,824,479.61
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	15,266,734.96	16,022,651.13
Shanghai Fanguy Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	R&D	Based on negotiation	12,754,881.58	2,510,735.85
Joicare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	R&D, testing and modern service	Based on negotiation	2,397,667.27	463,769.98
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	Modern service	Based on negotiation		643,255.00
Jiangsu Yiyinjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司) and its subsidiaries	Modern service	Based on negotiation		89,276.00
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Modern service	Based on negotiation		27,312.86
Beijing Infinite Intelligence Pharmaceutical Technology Co., Ltd. (北京英飛智藥科技有限公司)	R&D	Based on negotiation		693,069.31
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	7,061,094.34	1,965,439.63
Receipt of services in aggregate			37,480,378.15	22,415,509.76

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(1) Related 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 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	13,699,115.02	19,688,318.68
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Finished goods	The market price	1,174.31	141,592.92
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Finished goods	The market price		23,761.06
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Finished goods	The market price	1,906,278.98	1,266,194.69
Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	Finished goods	The market price		18,867.26
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Finished goods	The market price	1,327.43	2,654.87
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		7,929.20
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	1,744,679.12	1,280,329.37
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		23,044.77
Sales of goods in aggregate			17,352,574.86	22,452,692.82

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(1) Related 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 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	2,367,794.22	3,128,450.04
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Power and modern service	The market price	305,727.56	266,305.06
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Power and modern service	The market price	111,288.15	229,353.12
Joincare (Guangdong) Special Medicine Food Co., Ltd. (健康元(廣東)特醫食品有限公司)	Water, electricity, power, leasing and modern service	The market price	79,980.69	62,169.96
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Processing and testing	Based on negotiation	150,127.15	
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Modern service	Based on negotiation		301,016.88
Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	R&D, processing and testing	Based on negotiation	4,508,409.53	530,910.73
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)	R&D	Based on negotiation	2,832,000.00	
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		79,328.66
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	Modern service	Based on negotiation		283,018.87
Provision of services in aggregate			10,355,327.30	4,880,553.32

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XI. 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 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	19,266.06	19,266.06
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Plant & buildings	948,587.04	1,113,149.50
Topsino Industries Limited (天誠實業有限公司)	Plant & buildings	13,727.71	13,547.26
Joincare (Guangdong) Special Medicine Food Co., Ltd. (健康元(廣東)特醫食品有限公司)	Plant & buildings	126,514.28	126,514.28
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Plant & buildings	120,000.00	120,000.00

② The Company as a lessee

Name of lessor	Type of leased assets	Lease expenses recognized for the Period	Lease expenses recognized for the Previous Period
Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	Plant & buildings	16,513.76	346,469.43
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Plant & buildings, equipment	250,710.28	1,285,425.52

(3) Related party asset transfers

Related party	Description of related party transaction	Amount for the Period	Amount for the Previous Period
Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	Transfer of technical know-how	2,000,000.00	
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Sales of equipment	100,668.65	

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XI. 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)	2021.12.24	192,961.10	192,961.10	235,000.00	Bank loans, joint liability guarantee	2021.12.24-2027.2.3 (HSBC, China Merchants, ICBC, CCB, Bank of Communications, ABC, etc.)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2020.6.22	365.86	365.86	17,000.00	Opening letter of credit and bank acceptance bills, joint liability guarantee	2020.6.22-2024.7.7 (Bank of Communications)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2023.8.1	699.69	699.69	11,500.00	Opening bank acceptance bills, joint liability guarantee	2023.8.1-2028.7.24 (Standard Chartered Bank)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2022.12.6	3,996.25	3,996.25	15,000.00	Opening bank acceptance bills, joint liability guarantee	2022.12.6-2026.6.6 (China Resources Bank)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2024.3.22	7,360.05	7,360.05	30,000.00	Opening bank acceptance bills, joint liability guarantee	2023.3.22-2026.6.30 (Industrial and Commercial Bank of China)
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2023.8.1	10,682.66	10,682.66	23,000.00	Opening bank acceptance bills, joint liability guarantee	2023.8.1-2028.7.24 (Standard Chartered Bank)
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2022.12.6	6,236.18	6,236.18	10,000.00	Opening bank acceptance bills, joint liability guarantee	2022.12.6-2026.6.6 (China Resources Bank)

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XI. 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
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2023.8.28	3,854.18	3,854.18	20,000.00	Opening bank acceptance bills, joint liability guarantee	2023.8.28-2026.6.28 (Bank of Communications)
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2023.8.1	1,035.16	1,035.16	7,475.00	Opening bank acceptance bills, joint liability guarantee	2023.8.1-2028.7.24 (Standard Chartered Bank)
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2024.1.1	73.89	73.89	10,000.00	Opening letters of guarantee, joint liability guarantee	2024.1.1-2026.6.30 (Industrial and Commercial Bank of China)
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2024.4.28	518.18	518.18	10,000.00	Opening bank acceptance bills, joint liability guarantee	2024.4.28-2026.6.30 (Bank of Communications)

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XI. 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 (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2023.8.1	15,481.99	15,481.99	23,000.00	Opening bank acceptance bills, joint liability guarantee	2023.8.1-2028.7.24 (Standard Chartered Bank)
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2024.5.24	173.96	173.96	15,000.00	Opening bank acceptance bills, joint liability guarantee	2024.5.24-2026.6.30 (Bank of Communications)
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2023.8.1	4,573.81	4,573.81	11,500.00	Opening bank acceptance bills, joint liability guarantee	2023.8.1-2028.7.24 (Standard Chartered Bank)
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2024.5.15	12.98	12.98	10,000.00	Opening bank acceptance bills, joint liability guarantee	2024.5.15-2026.6.30 (Bank of Communications)
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	2023.8.1	6,848.51	6,848.51	17,250.00	Opening bank acceptance bills, joint liability guarantee	2023.8.1-2028.7.24 (Standard Chartered Bank)

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XI. 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
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2023.8.1	12,964.88	12,964.88	17,250.00	Opening bank acceptance bills, joint liability guarantee	2023.8.1-2028.7.24 (Standard Chartered Bank)
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2024.3.25	3,277.62	3,277.62	15,000.00	Opening bank acceptance bills, joint liability guarantee	2024.3.25-2026.6.30 (Bank of Communications)
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	2023.8.1	1,235.27	1,235.27	5,750.00	Opening bank acceptance bills, joint liability guarantee	2023.8.1-2028.7.24 (Standard Chartered Bank)
Total actual amount guaranteed for subsidiaries during the Reporting Period						100,381.22
Total balance of actual amount guaranteed for subsidiaries at the end of the Reporting Period						272,352.23

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XI. 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 30 March 2023, the 46th meeting of the tenth 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 RMB1.8 billion for conducting bills pooling business is to be shared by the Company and its holding subsidiaries, such amount may be utilized on rolling basis. As at 30 June 2024, 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	23,776.66	Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	81.43	Till 11 November 2024
			Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	333.07	Till 23 November 2024
			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	3,035.52	Till 13 December 2024
			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	4,494.20	Till 17 December 2024
			Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	Opening bank acceptance bills, joint liability guarantee	1,050.71	Till 14 November 2024
			Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	363.86	Till 24 November 2024
			Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Opening bank acceptance bills, joint liability guarantee	282.76	Till 14 November 2024
			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	6,096.73	Till 23 November 2024
			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	116.80	Till 14 November 2024
			Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	2,355.92	Till 6 November 2024
			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	4,206.98	Till 12 December 2024
			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	594.02	Till 13 September 2024

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XI. 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 (continued)

Unit: RMB0'000

Guarantor	Pledgee	Pledged amount of bills receivable	Name of guaranteed party	Description of guarantee	Guaranteed amount	Period of guarantee
	Industrial Bank	806.09	Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	522.57	Till 14 November 2024
	Industrial and Commercial Bank of China	297.80	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	15.90	Till 24 December 2024
			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	96.71	Till 24 December 2024
			Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	44.11	Till 13 December 2024
	China CITIC Bank	1,199.80	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	151.07	Till 14 September 2024
			Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	64.80	Till 22 October 2024
Total balance of actual guaranteed amount for subsidiaries at the End of the Reporting Period					23,907.16	

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XI. 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	3,528.71	Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	110.02	Till 26 December 2024
Total balance of actual guaranteed amount provided to subsidiaries by subsidiaries at the End of the Reporting Period					110.02	

- ③ Guarantee provided to related parties by the Company

Nil.

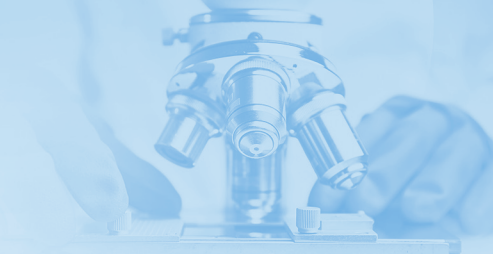
- ④ Guarantee provided to the Company by related parties

Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司), the other 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)), the other 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).

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



XI. 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

January to June 2024

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)*	162.50								162.50
Tao Desheng (陶德勝)*	150.00								150.00
Qiu Qingfeng (邱慶豐)	4.80								4.80
Yu Xiong (俞雄)	4.80								4.80
Executive Directors:									
Tang Yanggang (唐陽剛)*	4.80	86.16	3.38	0.95	8.40				103.68
Xu Guoxiang (徐國祥)*	150.00	46.15							196.15
Independent Non-executive Directors:									
Bai Hua (白華)	6.00								6.00
Tian Qusheng (田秋生)	6.00								6.00
Wong Kam Wa (黃錦華)	6.00								6.00
Luo Huiyuan (羅會遠)	6.00								6.00
Cui Lijie (崔麗婕)	6.00								6.00
Supervisors:									
Wang Maolin (汪卯林)	3.60	29.23	3.32	0.95	4.50				41.60
Tang Yin (湯胤)	2.40								2.40
Huang Huamin (黃華敏)	2.40								2.40
Other senior management:									
Du Jun (杜軍)*		69.24	3.77	1.24					74.25
Yang Daihong (楊代宏)		57.69	3.31	0.95	5.88				67.82
Si Yanxia (司燕霞)		65.39			1.50				66.89
Liu Daping (劉大平)		50.00	3.25	1.03					54.28
Huang Yuxuan (黃喻璇)		49.58			2.00			0.14	51.72
Yang Liang (楊亮)		44.93	3.28	0.95					49.15
Total	515.30	498.37	20.31	6.05	22.28			0.14	1,062.44

"*" represents the five highest paid individuals for January to June 2024. Except for participating in pension insurance and unemployment insurance (i.e. social insurance in the above table) 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. Mr. Liu Daping was appointed in January 2024.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XI. 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)

January to June 2023

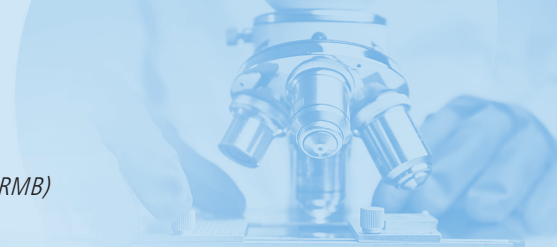
Unit: RMB0'000

	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)*	162.50								162.50
Tao Desheng (陶德勝)*	150.00								150.00
Qiu Qingfeng (邱慶豐)	4.80								4.80
Yu Xiong (俞雄)	4.80								4.80
Executive Directors:									
Tang Yanggang (唐陽剛)*	4.80	55.38	3.00	0.91	8.97				73.07
Xu Guoxiang (徐國祥)*	150.00	46.16							196.16
Independent Non-executive Directors:									
Bai Hua (白華)	6.00								6.00
Tian Qiusheng (田秋生)	6.00								6.00
Wong Kam Wa (黃錦華)	6.00								6.00
Luo Huiyuan (羅會遠)	6.00								6.00
Cui Lijie (崔麗婕)	6.00								6.00
Supervisors:									
Wang Maolin (汪卯林)	3.60	25.38	2.98	0.91	0.80				33.67
Tang Yin (湯胤)	2.40								2.40
Huang Huamin (黃華敏)	2.40								2.40
Other senior management:									
Yang Daihong (楊代宏)*		46.15	2.99	0.91	6.20				56.25
Xu Peng (徐朋)		46.15						0.30	46.45
Si Yanxia (司燕霞)		46.15	2.99	0.91					50.05
Zhou Peng (周鵬)*		41.54	2.98	0.91	16.43				61.86
Huang Yuxuan (黃瑜璇)		43.62						0.12	43.74
Yang Liang (楊亮)		38.77	2.98	0.91					42.66
Total	515.30	389.31	17.92	5.46	32.40			0.42	960.81

"*" represents the five highest paid individuals for January to June 2023. Except for participating in pension insurance and unemployment insurance (i.e. social insurance in the above table) 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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(5) Remuneration of key management personnel (continued)

② Individuals with highest emoluments

For January to June 2024, four of the five highest paid individuals were directors of the Company and one of them was a member of the senior management of the Company; for January to June 2023, four of the five highest paid individuals were directors of the Company and one of them was a member of the senior management of the Company. The remuneration of directors and senior management of the Company were already disclosed in Note XI.5.(5) "Remuneration of key management personnel", and the emoluments of the five highest paid individuals were within the following bands:

Item	January to June 2024	January to June 2023
Number of individuals within the band of RMB0-RMB1,000,000	1	2
Number of individuals within the band of RMB1,000,001-RMB1,500,000	2	1
Number of individuals within the band of RMB1,500,001-RMB2,000,000	2	2
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	—	—
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	—	—
Number of individuals within the band of RMB4,500,001-RMB5,000,000	—	—
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	—	—
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	—	—

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XI. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(5) Remuneration of key management personnel *(continued)*

③ Emoluments band of senior management

Item	January to June 2024	January to June 2023
Number of individuals within the band of RMB0-RMB1,000,000	7	8
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	1	1
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	–	–
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	–	–
Number of individuals within the band of RMB4,500,001-RMB5,000,000	–	–
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	–	–
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	–	–

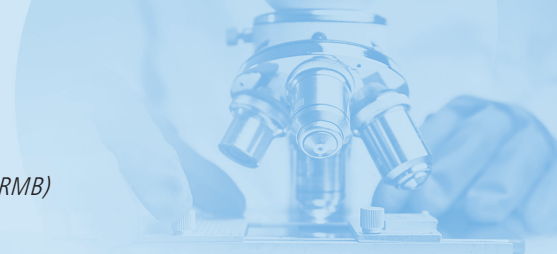
During January to June 2024 and January to June 2023, no emolument was paid by the Company to the five highest paid individuals as an inducement to join or upon joining the Company; or as compensation for loss of office. None of the directors or supervisors waived any remuneration.

(6) Other related transactions

Nil.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

6. Amounts due from/to related parties

(1) Amounts due from related parties

Item	Related parties	Balance at the End of the Period		Balance as at the End of the Previous Year	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Bills receivable	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	839,134.78		316,680.00	
Bills receivable	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	9,288,000.00		1,448,032.00	
Bills receivable	Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	3,521,700.00		2,727,000.00	
Bills receivable	Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	220,830.50		218,001.34	
Subtotal of bills receivable		13,869,665.28		4,709,713.34	
Accounts receivables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	6,192,000.00	61,920.00	9,288,000.00	93,808.80
Accounts receivables	Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	529,566.82	5,295.67		
Accounts receivables	Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	100,691.84	1,006.92	180,820.75	1,844.37
Accounts receivables	Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	1,257,132.68	178,556.84	5,133,582.89	115,664.09
Accounts receivables	Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	88,000.00	880.00	2,979,700.00	31,472.52
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)			434,422.80	87,318.98
Subtotal of accounts receivables		8,167,391.34	247,659.43	18,016,526.44	330,108.76

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XI. 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 as at the End of the Previous Year	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Prepayments	Zuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	211,200.00		211,200.00	
Prepayments	Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)			1,249,727.30	
Prepayments	Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	1,999,717.00			
Prepayments	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)	1,658,718.00			
Prepayments	Jiangsu Yiyingjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)			29,816.00	
Subtotal of prepayments		3,869,635.00		1,490,743.30	
Other receivables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	625,903.96	6,259.04	860,233.52	9,118.48
Other receivables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)			680,000.00	9,656.00
Other receivables	Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	3,600,000.00	36,000.00		
Other receivables	Zuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	33,413.57	334.14		
Other receivables	Zuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	7,446.71	569.67	2,263.89	52.75
Subtotal of other receivables		4,266,764.24	43,162.85	1,542,497.41	18,827.23

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

6. Amounts due from/to related parties (continued)

(2) Amounts due to related parties

Item	Related parties	Balance at the End of the Period	Balance as 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)	121,845,957.60	111,504,770.42
Bills payables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	8,871,952.28	14,814,287.14
Bills payables	Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	157,500.00	
Bills payables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	1,490,400.00	883,200.00
Subtotal of bills payables		132,365,809.88	127,202,257.56
Accounts payables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	722,793.40	1,477,012.60
Accounts payables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	607,200.00	195,398.23
Accounts payables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	63,538,000.00	67,623,600.85
Accounts payables	Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	47,787.61	
Subtotal of accounts payables		64,915,781.01	69,296,011.68
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)	10,711.72	255,459.93
Subtotal of contract liabilities		10,711.72	255,459.93
Other payables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	17,861,366.60	13,256,379.28
Other payables	Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司)	356,763.30	
Dividends payables	Topsino Industries Limited (天誠實業有限公司)	220,970,182.21	
Subtotal of other payables		239,188,312.11	13,256,379.28

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XII. SHARE-BASED PAYMENT

1. General information about share-based payment

(1) Share Options Incentive Scheme

① The 2022 Share Options Incentive Scheme – the First Grant

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 share options (a total of 361,000 options) granted to 25 former incentive participants under the First Grant of 2022 Share Options Incentive Scheme were cancelled as the incentive conditions were no longer met due to the resignation of the incentive participants. After the cancellation, the number of share options under the First Grant of 2022 Share Options Incentive Scheme of the Company was adjusted from 17.9735 million to 17.6125 million, and the number of incentive participants under the First Grant was adjusted from 1,026 to 1,001.

As the Company failed to meet the performance targets at the Company level for the second exercise period for share options under the First Grant, 5.28375 million share options corresponding to the second exercise period for share options under the First Grant cannot be exercised and have been cancelled. As at 30 June 2024, the remaining number of share options under the First Grant was 7.1626 million.

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 THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



XII. SHARE-BASED PAYMENT (continued)

1. General information about share-based payment (continued)

(1) Share Options Incentive Scheme (continued)

① The 2022 Share Options Incentive Scheme – the First Grant (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%.

② The 2022 Share Options Incentive Scheme – Reserved Grant

On 12 October 2023, the “Resolution on the Related Matters of the Proposed Reserved Grant of 2022 Share Options Incentive Scheme” was considered and approved at the 4th meeting of the eleventh session of the Board, pursuant to which, 30 October 2023 was set as the date of grant, on which 2 million share options were granted to 243 incentive participants at an exercise price of RMB36.26 per A Share. Completion and effective date of the registration of the share options granted: 28 November 2023

As the Company failed to meet the performance targets at the Company level for the first exercise period for share options under the Reserved Grant, 1 million share options corresponding to the first exercise period for share options under the Reserved Grant cannot be exercised and have been cancelled. As at 30 June 2024, the remaining number of share options under the Reserved Grant was 1 million.

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 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%

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XII. SHARE-BASED PAYMENT (continued)

1. General information about share-based payment (continued)

(1) Share Options Incentive Scheme (continued)

② The 2022 Share Options Incentive Scheme – Reserved Grant (continued)

Performance targets at the Company level: The share options granted under the Scheme are subject to annual assessment for exercise during the two 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 Reserved Grant are as follows:

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%.

(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 8.3821 million 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 RMB21.122892 million. According to the Assets Appraisal Report on the valuation of the shareholders' equity as a whole of Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) in relation to the Proposed Equity Transfer by Livzon Pharmaceutical Group Inc. (麗珠醫藥集團股份有限公司) (Huaya Zhengxin Appraisal Report [2019] No. A02 – 0011), the valuation of the shareholders' equity as a whole of Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) as at 30 June 2019 was RMB647.3075 million, and above equity transfer price was lower than its fair value, therefore it constituted a share-based payment. The total share-based payment of the transaction was 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) (珠海麗英投資管理合夥企業 (有限合夥)).

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XII. SHARE-BASED PAYMENT (continued)

1. General information about share-based payment (continued)

(2) Other equity incentives (continued)

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. (珠海麗珠試劑股份有限公司) for implementation of employee equity incentive scheme shall not be more than 4,643,839 shares, and the incentive participants shall contribute a total of RMB11,702,474.28 to directly subscribe for the above shares and/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. (珠海麗珠試劑股份有限公司), the total shares of Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) 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) (珠海豪迅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 RMB11.702474 million. The subscription price was lower than the fair value, therefore it constituted a share-based payment. The total share-based payment of the transaction was 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. (珠海麗珠試劑股份有限公司) /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 was lower than the fair value, therefore it constituted a share-based payment. The total share-based payment of the transaction was RMB33.60 million, which should be amortized during the lock-up period according to the Equity Incentive Scheme of LivzonBio and the Grant Agreement, of which RMB2.24 million was amortized from January to June 2024.

(3) The equity instruments granted are as follows:

Category of grantees	Granted during the Period		Exercised during the Period		Unlocked during the Period		Lapsed during the Period	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Sales personnel			208,9224	65,413,603.44			239,720	
Management personnel			200,3747	62,737,318.57			290,890	
R & D personnel			107,3174	33,601,077.94			133,865	
Total			516,6145	161,751,999.95			664,475	

Number: Ten thousand

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XII. SHARE-BASED PAYMENT *(continued)*

2. Equity settled share-based payments

Determination on fair value of equity instruments as at the date of grant	Black-Scholes Model, market price
Significant parameters on fair value of equity instruments as at the date of grant	Risk-free interest rate, historical volatility of share price, dividend yield
Basis for determining quantity of exercisable equity instruments	Determined based on exercising conditions and expected turnover rate
Reasons for significant discrepancies between estimate for the Period and the Previous Period	Without significant discrepancies
Accumulated amount of equity settled share-based payments included in capital reserve	257,304,427.89

3. Cash settled share-based payments

Nil.

4. Share-based payment expense for the Period

Class of Grantees	Equity settled share-based payment expenses	Cash settled share-based payment expenses
Mid-level management, senior management and business core personnel	15,075,545.08	

XIII. 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 as at the End of the Previous Year
Commitments in relation to acquisition of long-term assets	251,314,427.49	395,307,398.73
Commitments in relation to external investment	8,000,000.00	8,000,000.00
Commitments in relation to R&D expenditure	292,158,271.34	306,619,716.31

(2) Other commitments

Nil.

(3) Performance of previous commitments

The Company has duly performed the capital expenditure commitments and the operating lease commitments and the other commitments as at 31 December 2023 in the same manner as the previous commitments.

2. Contingencies

As at 30 June 2024, there were no significant contingencies required to be disclosed by the Company.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XIV. POST BALANCE SHEET DATE EVENTS

As at 22 August 2024, the Company has no other events that needed to be disclosed after the balance sheet date.

XV. OTHER SIGNIFICANT MATTERS

1. Medium to Long-term Business Partner Share Ownership Scheme

The First Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of the Company purchased a total of 2,348,960 shares of the Company through the "CITIC Securities – the First Phase Business Partner Share Ownership Scheme of Livzon Group – Medium and Long-term Business Partner Employee Ownership Scheme No. 1 Single Asset Management Plan of CITIC Securities and Livzon Group" (中信證券—麗珠集團事業合夥人持股計劃第一期—中信證券麗珠集團中長期事業合夥人員工持股計劃1號單一資產管理計劃) by means of centralized bidding transactions with transaction amount of RMB117,268,338.21. Lock-up periods of the Underlying Shares obtained by the First Phase Ownership Scheme shall be 36 months from 27 May 2021 to 26 May 2024.

As at 30 June 2024, save as the disclosed above, there were no other significant matters required to be disclosed by the Company.

XVI. NET CURRENT ASSETS AND TOTAL ASSETS LESS CURRENT LIABILITIES

1. Net current assets

Item	Balance at the End of the Period	Balance as at the End of the Previous Year
Current assets	17,506,781,766.26	17,266,174,718.28
Less: Current liabilities	9,697,273,168.74	8,087,137,474.74
Net current assets	7,809,508,597.52	9,179,037,243.54

2. Total assets less current liabilities

Item	Balance at the End of the Period	Balance as at the End of the Previous Year
Total assets	25,575,959,811.53	25,044,827,127.75
Less: Current liabilities	9,697,273,168.74	8,087,137,474.74
Total assets less current liabilities	15,878,686,642.79	16,957,689,653.01

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Bills receivable

Type of bill	Balance at the End of the Period			Balance as 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	615,922,892.63		615,922,892.63	702,305,008.17		702,305,008.17

(1) Bills receivable that were pledged at the End of the Period

Type	Pledged amount at the End of the Period
Bank acceptance bills	260,803,547.87

As at 30 June 2024, bills with carrying amount of RMB260,803,547.87 (31 December 2023: RMB206,252,034.58) were pledged for bank acceptance bills.

(2) Endorsed or discounted bills receivable 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	399,776.23	
Bank acceptance bills not yet mature but already discounted		
Total	399,776.23	

During the Period, the Company discounted bank acceptance bills of RMB0.00 (Previous Period: RMB0.00) to a bank.

(3) There were no bills transferred into accounts receivables for non-performance by the issuer at the End of the Period.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

1. Bills receivable (continued)

(4) Classification by the method of provision for bad debts

Type	Balance at the End of the Period				Balance as at the End of the Previous Year				
	Book balance		Provision for bad debts		Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value
Provision for bad debts on individual basis									
Provision for bad debts on collective basis	615,922,892.63	100.00		615,922,892.63	702,305,008.17	100.00			702,305,008.17
Of which:									
Bank acceptance bills	615,922,892.63	100.00		615,922,892.63	702,305,008.17	100.00			702,305,008.17
Total	615,922,892.63	100.00		615,922,892.63	702,305,008.17	100.00			702,305,008.17

Bills receivable with provision for bad debts on individual basis:

Nil

Bills receivable with provision for bad debts on collective basis:

Item on collective basis: Bank acceptance bills

Description	Balance at the End of the Period			Balance as at the End of the Previous Year		
	Bills receivable	Provision for bad debts	Expected credit loss rate (%)	Bills receivable	Provision for bad debts	Expected credit loss rate (%)
Within 1 year	615,922,892.63			702,305,008.17		

(5) No provision for bad debts was made, recovered or reversed during the Period.

(6) There are no bills receivable actually written-off for the Period.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

2. Accounts receivables

(1) Disclosure using the aging analysis method

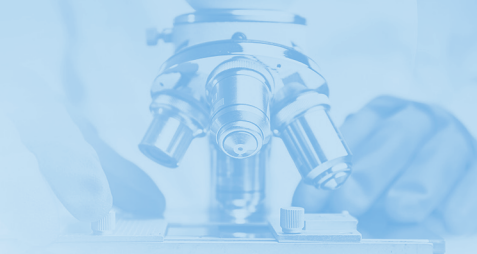
Aging	Balance at the End of the Period	Balance as at the End of the Previous Year
Within 1 year		
Of which: Within 3 months (including 3 months)	1,032,866,977.26	978,106,460.60
4-6 months (including 6 months)	27,158,287.71	28,280,917.83
7-12 months (including 12 months)	3,672,016.29	9,732,538.62
Subtotal within 1 year:	1,063,697,281.26	1,016,119,917.05
1-2 years (including 2 years)	2,899,894.63	11,470,435.77
2-3 years (including 3 years)	6,221,287.92	231,149.20
Over 3 years	423,866.88	434,532.60
Subtotal	1,073,242,330.69	1,028,256,034.62
Less: Provisions for bad debts	17,412,533.08	15,263,140.77
Total	1,055,829,797.61	1,012,992,893.85

(2) Disclosure according to the method of provision for bad debts

Type	Balance at the End of the Period					Balance as at the End of the Previous Year				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value
Provision for bad debts on collective basis	1,073,242,330.69	100.00	17,412,533.08	1.62	1,055,829,797.61	1,028,256,034.62	100.00	15,263,140.77	1.48	1,012,992,893.85
Of which:										
Due from domestic customers	1,073,242,330.69	100.00	17,412,533.08	1.62	1,055,829,797.61	1,028,256,034.62	100.00	15,263,140.77	1.48	1,012,992,893.85
Total	1,073,242,330.69	100.00	17,412,533.08	1.62	1,055,829,797.61	1,028,256,034.62	100.00	15,263,140.77	1.48	1,012,992,893.85

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

2. Accounts receivables (continued)

(2) Disclosure according to the method of provision for bad debts (continued)

Accounts receivables with provision for bad debts on collective basis:

Item on collective basis: Due from domestic customers

	Balance at the End of the Period			Balance as 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)	1,032,866,977.26	10,431,956.47	1.01	978,106,460.60	9,962,938.65	1.02
4-6 months (including 6 months)	27,158,287.71	1,352,482.73	4.98	28,280,917.83	1,419,702.08	5.02
7-12 months (including 12 months)	3,672,016.29	365,732.82	9.96	9,732,538.62	984,932.91	10.12
1-2 years	2,899,894.63	579,398.95	19.98	11,470,435.77	2,298,675.33	20.04
2-3 years	6,221,287.92	4,259,095.23	68.46	231,149.20	162,359.20	70.24
Over 3 years	423,866.88	423,866.88	100.00	434,532.60	434,532.60	100.00
Total	1,073,242,330.69	17,412,533.08	1.62	1,028,256,034.62	15,263,140.77	1.48

(3) Provision for bad debts made, recovered or reversed during the Period

	Amount of provision for bad debts
Balance at the Beginning of the Period	15,263,140.77
Provision made for the Period	2,149,392.31
Recovery or reversal during the Period	
Write-off for the Period	
Balance at the End of the Period	17,412,533.08

As at 30 June 2024 and 31 December 2023, the Company had no accounts receivables that are past due but not impaired.

(4) No accounts receivables were written off during the Period.

(5) The top five balances of accounts receivables by debtors as at the End of the Period

The total of the top five balances of accounts receivables by debtors as at the End of the Period was RMB151,731,999.75 for the Period, representing 14.14% 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 RMB1,532,493.20.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

2. Accounts receivables (continued)

- (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 as at the End of the Previous Year
Dividend receivables	548,291,888.07	548,291,888.07
Other receivables	516,024,895.93	584,394,557.01
Total	1,064,316,784.00	1,132,686,445.08

(1) Dividend receivables

Item	Balance at the End of the Period	Balance as at the End of the Previous Year
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	501,548,088.07	501,548,088.07
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	46,743,800.00	46,743,800.00
Subtotal:	548,291,888.07	548,291,888.07
Less: Provision for bad debts		
Total	548,291,888.07	548,291,888.07

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XVII. 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 debts on individual basis	548,291,888.07			548,291,888.07	
Dividend receivables	548,291,888.07			548,291,888.07	Recoverable
Total	548,291,888.07			548,291,888.07	

As at 31 December 2023, provision made for bad debts:

As at 31 December 2023, 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 debts on individual basis	548,291,888.07			548,291,888.07	
Dividend receivables	548,291,888.07			548,291,888.07	Recoverable
Total	548,291,888.07			548,291,888.07	

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Other receivables (continued)

(2) Other receivables

① Disclosure by nature of the amount

Item	Balance at the End of the Period			Balance as at the End of the Previous Year		
	Book balance	Provision for bad debts	Carrying value	Book balance	Provision for bad debts	Carrying value
Deposits under guarantee and security deposits and lease expenses	500,000.00	50,000.00	450,000.00	500,000.00	121,500.00	378,500.00
Reserve fund and advances	9,027,461.48	1,387,730.95	7,639,730.53	8,534,852.43	497,880.60	8,036,971.83
Other receivables of each company within the scope of combination	501,318,247.59		501,318,247.59	574,351,298.47		574,351,298.47
Balance with associates	7,446.71	569.67	6,877.04	2,263.89	52.75	2,211.14
Borrowing due from external entities	5,000,000.00	5,000,000.00		5,000,000.00	5,000,000.00	
Amounts of exercised options	5,418,884.32		5,418,884.32			
Others	1,315,552.57	124,396.12	1,191,156.45	1,664,788.60	39,213.03	1,625,575.57
Total	522,587,592.67	6,562,696.74	516,024,895.93	590,053,203.39	5,658,646.38	584,394,557.01

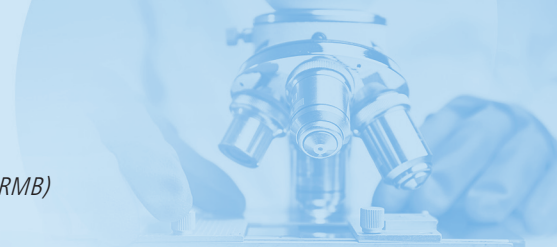
② Provision made for bad debts

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 debts on collective basis	506,737,131.91			506,737,131.91	
Other receivables of each company within the scope of combination	501,318,247.59			501,318,247.59	Recoverable
Amounts of exercised options	5,418,884.32			5,418,884.32	Recoverable
Total	506,737,131.91			506,737,131.91	

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



XVII. 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 2:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debts on collective basis	10,850,460.76	14.40	1,562,696.74	9,287,764.02	
Receivables of deposits under guarantee and security deposits and lease expenses	500,000.00	10.00	50,000.00	450,000.00	-
Other receivables	10,350,460.76	14.61	1,512,696.74	8,837,764.02	-
Total	10,850,460.76	14.40	1,562,696.74	9,287,764.02	

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 debts on individual basis	5,000,000.00	100.00	5,000,000.00		
Other receivables	5,000,000.00	100.00	5,000,000.00		Not expected to be recoverable
Total	5,000,000.00	100.00	5,000,000.00		

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XVII. 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 2023, provision made for bad debts:

As at 31 December 2023, 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 debts on collective basis	574,351,298.47			574,351,298.47	
Other receivables of each company within the scope of combination	574,351,298.47			574,351,298.47	Recoverable
Total	574,351,298.47			574,351,298.47	

As at 31 December 2023, 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 debts on collective basis	10,701,904.92	6.15	658,646.38	10,043,258.54	
Receivables of deposits under guarantee and security deposits and lease expenses	500,000.00	24.30	121,500.00	378,500.00	–
Other receivables	10,201,904.92	5.27	537,146.38	9,664,758.54	–
Total	10,701,904.92	6.15	658,646.38	10,043,258.54	

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XVII. 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 2023, the provision for bad debt in Step 3:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debts on individual basis	5,000,000.00	100.00	5,000,000.00		
Other receivables	5,000,000.00	100.00	5,000,000.00		Not expected to be recoverable
Total	5,000,000.00	100.00	5,000,000.00		

- 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 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 Period		658,646.38	5,000,000.00	5,658,646.38
Balance at the Beginning of the Period during the Period – Transferred to Step 3				
Provision made for the Period		904,050.36		904,050.36
Write-off for the Period				
Balance at the End of the Period		1,562,696.74	5,000,000.00	6,562,696.74

- ④ No other receivables were written off during the Period.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Other receivables (continued)

(2) Other receivables (continued)

- 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 of other receivables 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	356,478,505.04	Within 1 year	68.21	
Ando Development Limited (安滔發展有限公司)	Current account	122,449,972.66	Within 1 year RMB3,410,897.24, 1-2 years RMB291,892.96, 2-3 years RMB1,003,300.00, over 3 years RMB117,743,882.46	23.43	
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	Current account	21,033,372.39	Within 1 year RMB200.00, 1-2 years RMB2,000.00, 2-3 years RMB5,880.00, over 3 years RMB21,025,292.39	4.02	
Shenzhen Branch of China Securities Depository and Clearing Corporation	Amounts of exercised options	5,418,884.32	Within 1 year	1.04	
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	0.96	5,000,000.00
Total	-	510,380,734.41		97.66	5,000,000.00

- ⑥ No amounts 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 other receivables.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

4. Long-term equity investments

Item	Balance at the End of the Period			Balance as at the End of the Previous Year		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in subsidiaries	3,333,207,145.20	17,287,569.18	3,315,919,576.02	3,158,207,145.20	17,287,569.18	3,140,919,576.02
Investments in associates	807,930,391.01	1,200,000.00	806,730,391.01	770,827,958.91	1,200,000.00	769,627,958.91
Total	4,141,137,536.21	18,487,569.18	4,122,649,967.03	3,929,035,104.11	18,487,569.18	3,910,547,534.93

(1) Investments in subsidiaries

Investee	Balance at the Beginning of the Period	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
Zhuhai Livzon Baiameng Biological Materials Co., Ltd. (珠海麗珠一拜阿蒙生物材料有限公司)	3,934,721.95			3,934,721.95		
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	361,060,443.85			361,060,443.85		
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	170,872,457.35			170,872,457.35		
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	31,438,404.00			31,438,404.00		
Zhuhai Modern Chinese Medicine High Technology Co., Ltd. (珠海現代中藥高科技有限公司)	4,539,975.00			4,539,975.00		
Livzon Group Livzon Medical Research Centre (麗珠集團麗珠醫藥研究所)	6,004,000.00			6,004,000.00		
Lizhu (Hong Kong) Co., Limited (麗珠(香港)有限公司)	265,149,450.47			265,149,450.47		
Lian Hong Kong Limited (麗安香港有限公司)	140,000,000.00			140,000,000.00		
Ando Development Limited (安滔發展有限公司)	534,050.00			534,050.00		
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			378,259,319.91		17,287,569.18
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	67,877,200.00			67,877,200.00		
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			12,008,000.00		

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

4. Long-term equity investments (continued)

(1) Investments in subsidiaries (continued)

Investee	Balance at the Beginning of the Period	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
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	184,301,219.52			184,301,219.52		
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	40,020,000.00			40,020,000.00		
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	54,500,000.00			54,500,000.00		
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	6,675,000.00			6,675,000.00		
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)	171,000,000.00			171,000,000.00		
Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	212,092,110.00			212,092,110.00		
LivzonBio, Inc. (珠海市麗珠生物醫藥科技有限公司)	932,230,793.15	160,000,000.00		1,092,230,793.15		
Shanghai Liyu Biopharmaceutical Technology Co., Ltd. (上海麗予生物醫藥技術有限公司)	1,650,000.00			1,650,000.00		
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)	30,000,000.00	15,000,000.00		45,000,000.00		
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			7,500,000.00		
Lijian (Guangdong) Animal Healthcare Co., Ltd. (麗健(廣東)動物保健有限公司)	76,500,000.00			76,500,000.00		
Wuhan Kangli Health Investment Management Co., Ltd. (武漢康麗健康投資管理有限公司)	60,000.00			60,000.00		
Total	3,158,207,145.20	175,000,000.00		3,333,207,145.20		17,287,569.18

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

4. Long-term equity investments (continued)

(2) Investments in associates

Investee	Balance at the Beginning of the Period	Change during the Period								Balance at the End of the Period	Balance of provision for impairment at the End of the Period	
		Additional/new investments	Decreased investments	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										1,200,000.00	1,200,000.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	23,939,467.05			1,731,788.77				850,000.00			24,821,255.82	
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	1,564,214.37			-107,007.99							1,457,206.38	
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	38,519,844.60			-9,883,992.39	98,635.67	15,402,326.76					44,136,814.64	
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	705,604,432.89			30,710,681.28							736,315,114.17	
Total	770,827,958.91			22,451,469.67	98,635.67	15,402,326.76		850,000.00			807,930,391.01	1,200,000.00

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XVII. 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

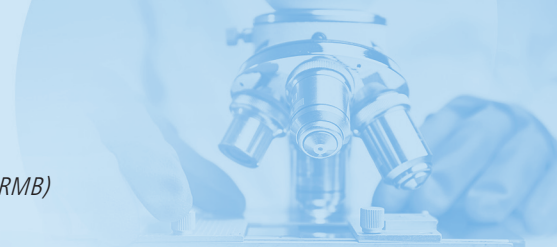
Item	Amount for the Period		Amount for the Previous Period	
	Income	Cost	Income	Cost
Principal activities	2,737,340,836.49	1,939,855,658.10	3,150,027,791.76	2,156,910,659.62
Other activities	28,025,737.74	24,438,469.51	14,138,547.02	11,187,564.60
Total	2,765,366,574.23	1,964,294,127.61	3,164,166,338.78	2,168,098,224.22

(2) Operating income, operating cost presented by product types

Item	Amount for the Period		Amount for the Previous Period	
	Income	Cost	Income	Cost
Principal activities:				
Chemical preparations	2,099,391,917.64	1,572,450,955.60	2,501,088,856.11	1,805,580,499.26
Traditional Chinese medicine preparations	550,834,068.95	324,262,317.47	535,485,113.85	298,335,844.76
Biological products	87,114,849.90	43,142,385.03	113,453,821.80	52,994,315.60
Subtotal	2,737,340,836.49	1,939,855,658.10	3,150,027,791.76	2,156,910,659.62
Other activities:				
Sales materials, etc.	14,281,876.54	13,400,489.34		
Lease fees	2,705,881.03		2,950,359.32	
Others	11,037,980.17	11,037,980.17	11,188,187.70	11,187,564.60
Subtotal	28,025,737.74	24,438,469.51	14,138,547.02	11,187,564.60
Total	2,765,366,574.23	1,964,294,127.61	3,164,166,338.78	2,168,098,224.22

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

5. Operating income and operating cost (continued)

(3) Major business income and cost presented by major regions of operations

Item	Amount for the Period		Amount for the Previous Period	
	Income	Cost	Income	Cost
Domestic	2,737,340,836.49	1,939,855,658.10	3,150,027,791.76	2,156,910,659.62

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

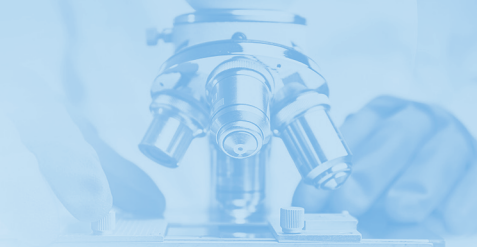
5. Operating income and operating cost *(continued)*

(4) Operating income and operating costs presented by transfer time of commodities

Item	Amount for the Period		Amount for the Previous Period	
	Income	Cost	Income	Cost
Principal activities:				
Of which: recognized at a point of time	2,737,340,836.49	1,939,855,658.10	3,150,027,791.76	2,156,910,659.62
Other activities:				
Of which: recognized at a point of time	25,319,856.71	24,438,469.51	11,188,187.70	11,187,564.60
Lease income	2,705,881.03		2,950,359.32	
Total	2,765,366,574.23	1,964,294,127.61	3,164,166,338.78	2,168,098,224.22

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

6. Investment Income

Item	Amount for the Period	Amount for the Previous Period
Long-term equity investments income under cost method	241,825,000.00	535,760,000.00
Long-term equity investments income under equity method	22,451,469.67	40,356,199.76
Investment income from financial assets held for trading during its holding period	191,174.96	95,587.48
Investment income from disposal of financial assets held for trading		1,986.75
Total	264,467,644.63	576,213,773.99

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XVIII. SUPPLEMENTARY INFORMATION

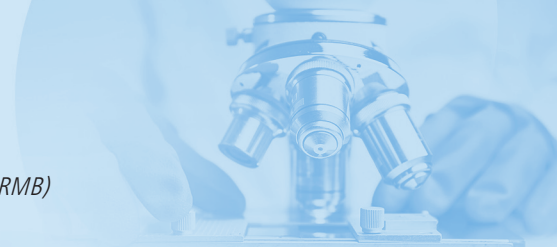
1. Statement of non-recurring profit or loss over the current period

Item	Amount for the Period	Amount for the Previous Period
Profit or loss from disposal of non-current assets, including the written-off portion of provisions made for asset impairment	-76,440.36	-328,226.00
Government grants included in the current profit or loss, however, except for those which are closely related to the ordinary operating business of the Company, comply with the policies of the State, entitled in accordance with determined standards and that have a continuous impact on the Company's profit or loss	43,732,118.87	101,904,879.34
Gains or losses arising from changes in fair value derived from financial assets and financial liabilities held by non-financial enterprises and gains or losses generated on disposal of financial assets and financial liabilities, except for effective hedging activities related to the ordinary operating business of the Company	-16,341,104.57	-38,403,256.59
Other non-operating income and expenses other than the abovementioned items	-3,880,962.55	-5,061,822.32
Total non-recurring profit or loss	23,433,611.39	58,111,574.43
Less: Effect on income tax of non-recurring profit or loss	4,425,407.74	9,671,071.35
Less: Net effect of non-recurring profit or loss attributable to the Company's minority shareholders (after tax)	3,506,627.93	7,575,843.74
Non-recurring profit or loss attributable to the Company's ordinary shareholders	15,501,575.72	40,864,659.34

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 (2023 Revision) (ZJHGG (2023) No. 65).

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)



XVIII. SUPPLEMENTARY INFORMATION *(continued)*

2. Rate of return on net assets and earnings per share

January to June 2024

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	8.04	1.27	1.27
Net profit attributable to the Company's ordinary shareholders after a deduction of non-recurring profit or loss	7.93	1.25	1.25

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2024 (Unless specified otherwise, all amounts are denominated in RMB)

XVIII. SUPPLEMENTARY INFORMATION (continued)

2. Rate of return on net assets and earnings per share (continued)

January to June 2023

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	7.89	1.22	1.22
Net profit attributable to the Company's ordinary shareholders after a deduction of non-recurring profit or loss	7.61	1.17	1.17

Livzon Pharmaceutical Group Inc.
22 August 2024



丽珠医药
LIVZON

Livzon

Evergreen Life, Bright Future & Wisdom

www.livzon.com.cn

