



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



2022 | INTERIM REPORT

* For identification purpose only

CONTENTS

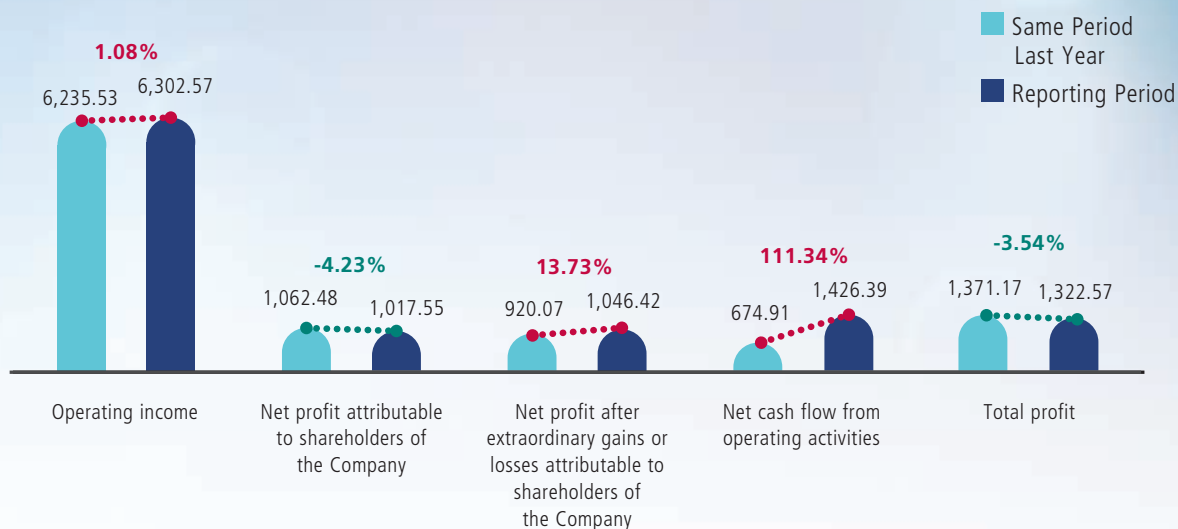
FINANCIAL HIGHLIGHTS	3
SECTION I	
IMPORTANT NOTICE AND DEFINITIONS	5
SECTION II	
COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS	11
SECTION III	
MANAGEMENT DISCUSSION AND ANALYSIS	16
SECTION IV	
CORPORATE GOVERNANCE	86
SECTION V	
MAJOR EVENTS	91
SECTION VI	
ENVIRONMENTAL AND SOCIAL RESPONSIBILITY	107
SECTION VII	
CHANGES IN EQUITY AND SHAREHOLDERS	131
SECTION VIII	
INFORMATION ON PREFERRED SHARES	143
SECTION IX	
INFORMATION ON BONDS	144
SECTION X	
FINANCIAL REPORT	145

LIST OF DOCUMENTS AVAILABLE FOR INSPECTION

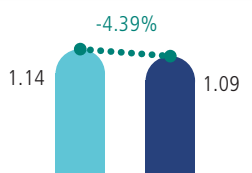
- (I) Full text of the 2022 Interim Report of the Company signed by the legal representative.
- (II) The unaudited financial report for the six months ended 30 June 2022 of the Company prepared in accordance with the China Accounting Standards for Business Enterprises, which has been signed and sealed 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).
- (III) The original copies of all documents and announcements of the Company which have been disclosed to the public on the website designated by the CSRC during the Reporting Period.
- (IV) The English and Chinese versions of the 2022 Interim Report of the Company published on the website of the Hong Kong Exchanges and Clearing Limited.

FINANCIAL HIGHLIGHTS

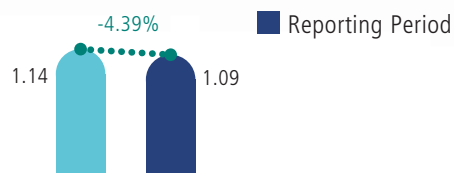
Major financial indicators (RMB in millions)



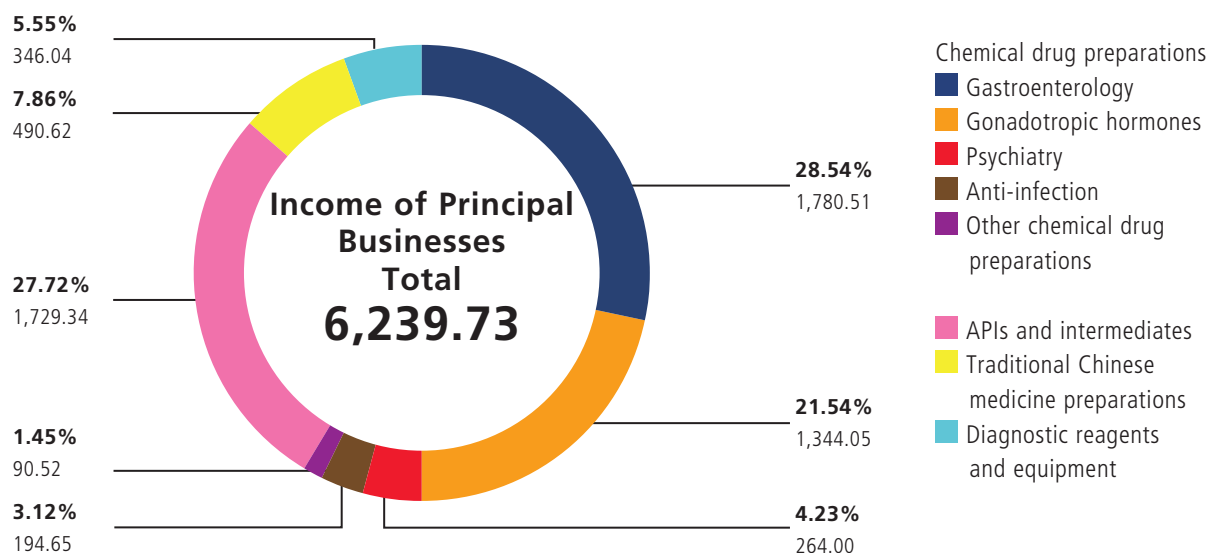
Basic earnings per share (RMB/share)



Diluted earnings per share (RMB/share)

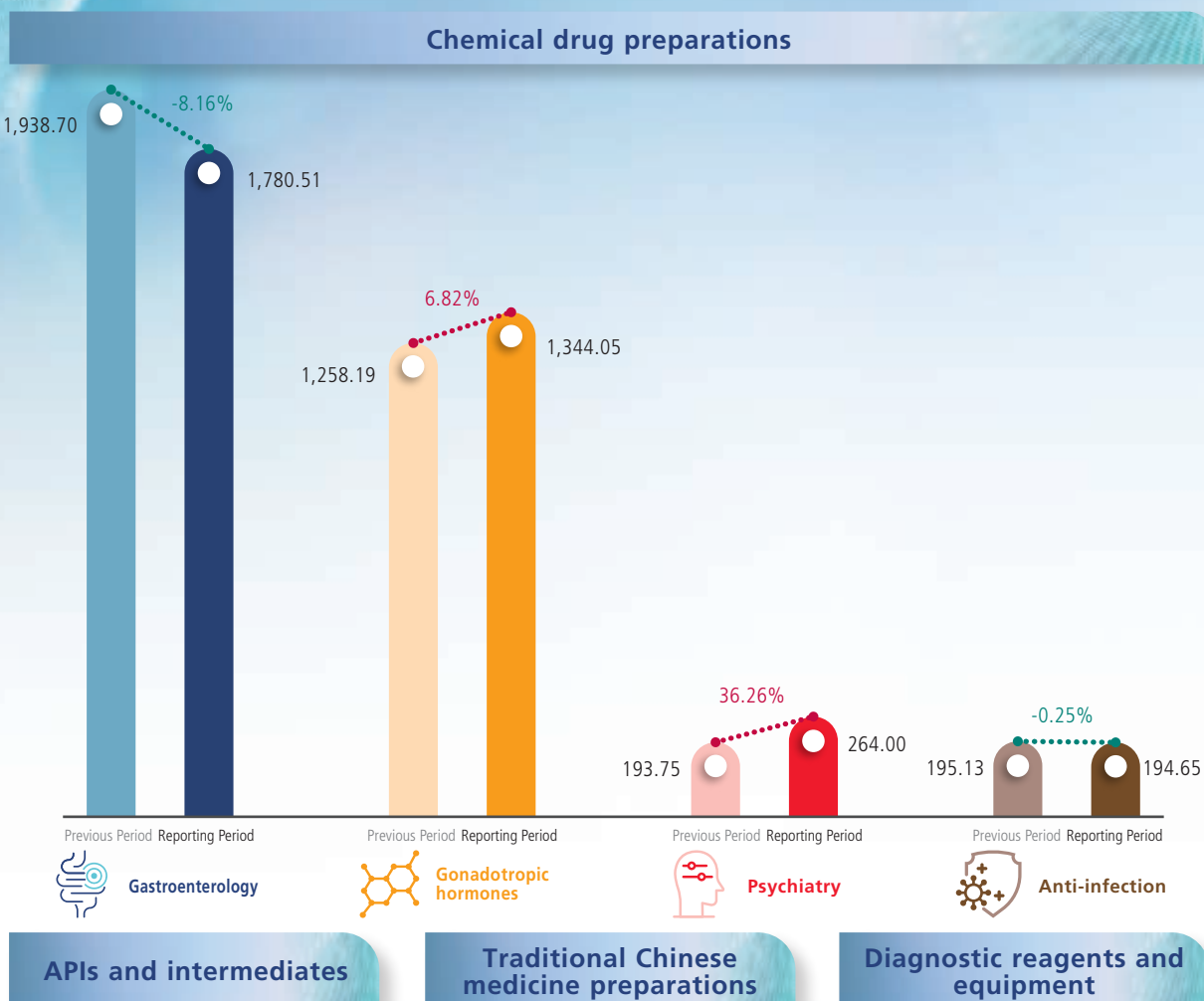


Composition of principal businesses (RMB in millions)



FINANCIAL HIGHLIGHTS

Unit: RMB in millions



SECTION I IMPORTANT NOTICE AND DEFINITIONS

IMPORTANT NOTICE

The Board, the Supervisory Committee and the Directors, Supervisors and senior management of Livzon Pharmaceutical Group Inc.* hereby warrant the truthfulness, accuracy and completeness of the contents of this 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.

The Report has been considered and approved at the 33rd meeting of the 10th session of the Board of the Company. All the Directors attended the 33rd meeting of the 10th session of the Board.

The 2022 interim financial statements and notes thereof (collectively the "Financial Report") prepared by the Group according to the China Accounting Standards for Business Enterprises have not been audited. The Report has been reviewed by the audit committee of the Company.

The Company does not intend to pay interim cash dividends, issue bonus shares or transfer any capital reserve to share capital.

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 Financial Report contained in the Report.

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

The Report contains forward-looking statements which involve subjective assumptions and judgments 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 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 this Report, unless the context otherwise requires, the following expressions shall have the following meanings:

"Company"	Livzon Pharmaceutical Group Inc.* (麗珠醫藥集團股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability, whose H Shares and A Shares are listed on the main board of the Hong Kong Stock Exchange and the main board of the Shenzhen Stock Exchange respectively
"Group"	the Company and its subsidiaries
"Board"	the board of directors of the Company
"Director(s)"	director(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Supervisor(s)"	supervisor(s) of the Company
"Shareholder(s)"	shareholder(s) of the Company
"A Share(s)"	the ordinary shares in the registered capital of the Company with a nominal value of RMB1.00 each, which are listed and traded on the main board of the Shenzhen Stock Exchange
"B Share(s)"	domestically listed foreign shares originally issued by the Company
"H Share(s)"	the ordinary shares in the registered capital of the Company with a nominal value of RMB1.00 each, which are listed and traded on the main board of the Hong Kong Stock Exchange
"A Shareholder(s)"	holder(s) of A Shares of the Company
"H Shareholder(s)"	holder(s) of H Shares of the Company
"Reporting Period" or "Period"	the six months from 1 January to 30 June 2022
"Same Period Last Year" or "Previous Period"	the six months from 1 January to 30 June 2021
"End of the Previous Year"	31 December 2021
"Beginning of the Reporting Period", "Beginning of the Period" or "Beginning of the Year"	1 January 2022

SECTION I IMPORTANT NOTICE AND DEFINITIONS

"End of the Reporting Period" or "End of the Period"	30 June 2022
"CSRC"	China Securities Regulatory Commission
"Shenzhen Stock Exchange"	Shenzhen Stock Exchange
"CSDCC"	Shenzhen Branch of China Securities Depository and Clearing Corporation Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"China Accounting Standards for Business Enterprises"	Accounting Standards for Business Enterprises – Basic Standard and 38 specific accounting standards, 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 Code of Corporate Governance as set out in Appendix 14 of the Hong Kong Listing Rules
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Articles of Association"	the Articles of Association of Livzon Pharmaceutical Group Inc.* (《麗珠醫藥集團股份有限公司章程》)
"Joincare"	Joincare Pharmaceutical Industry Group Co., Ltd.* (健康元藥業集團股份有限公司) (Shanghai Stock Exchange stock code: 600380), a joint stock company incorporated under the laws of the PRC and listed on the main board of the Shanghai Stock Exchange in 2001 and one of the Company's controlling shareholders

SECTION I IMPORTANT NOTICE AND DEFINITIONS

"Joincare Group"	Joincare and its subsidiaries (excluding the Group)
"Baiyeyuan"	Shenzhen Baiyeyuan Investment Co., Ltd.* (深圳市百業源投資有限公司)
"Topsino"	Topsino Industries Limited (天誠實業有限公司)
"Begol"	Guangzhou Begol Trading Holdings Limited* (廣州市保科力貿易公司)
"Jiaozuo Hecheng"	Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.* (焦作麗珠合成製藥有限公司)
"Livzon MAB"	Livzon MABPharm Inc.* (珠海市麗珠單抗生物技術有限公司)
"Xinbeijiang Pharma"	Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.* (麗珠集團新北江製藥股份有限公司)
"Fuzhou Fuxing"	Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd.* (麗珠集團福州福興醫藥有限公司)
"Ningxia Pharma"	Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd.* (麗珠集團(寧夏)製藥有限公司)
"Pharmaceutical Factory"	Livzon Group Livzon Pharmaceutical Factory* (麗珠集團麗珠製藥廠)
"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) (formerly known as Livzon Gene Diagnostics Inc.* (珠海市麗珠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 Biologics", "Livzon Cayman"	Livzon Biologics Limited
"Livzon International"	Livzon International Limited
"Joincare BVI"	Joincare Pharmaceutical Group Industry Co., Ltd
"Livzon HK"	Livzon Biologics Hong Kong Limited* (麗珠生物科技香港有限公司)
"LivzonBio"	LivzonBio, Inc.* (珠海市麗珠生物醫藥科技有限公司)
"PRC" or "China"	the People's Republic of China
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"HK\$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"MOP"	Macau Patacas, the lawful currency of Macau
"US\$" or "USD"	US dollars, the lawful currency of the United States
"Japanese Yen"	Japanese Yen, the lawful currency of Japan
"Euro"	Euro, the official currency for 19 nations in European Union
"EU"	European Union
"Cninfo"	www.cninfo.com.cn (巨潮資訊網)
"Company's website"	the website of the Company (www.livzon.com.cn)
"HKEXnews"	the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk)
"COVID-19 virus"	a new coronavirus (SARS-CoV-2)
"COVID-19 pandemic", "pandemic"	the outbreak of the disease caused by a new coronavirus called SARS-CoV-2
"COVID-19 vaccines"	vaccines for the new coronavirus (SARS-CoV-2)

SECTION I IMPORTANT NOTICE AND DEFINITIONS

"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)
"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

* For identification purpose only

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	Unit 1301, 13/F, China Evergrande Centre, 38 Gloucester Road, Wan Chai, Hong Kong	
Company's website	www.livzon.com.cn	
E-mail	LIVZON_GROUP@livzon.com.cn	

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

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

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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 in the registered address, office address and postal code, company website and email address of the Company during the Reporting Period. Please refer to the 2021 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 place for inspection of interim report of the Company during the Reporting Period. Please refer to the 2021 Annual Report for details.

3. Other Relevant Information

Whether other relevant information changed during the Reporting Period

☐ Applicable ☒ Not applicable

There was no change in other relevant information of the Company during the Reporting Period. Please refer to the 2021 Annual Report for details.

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

Items	Period	Previous Period	Unit: RMB
			Period-to-period change
Operating income	6,302,565,210.60	6,235,531,036.28	1.08%
Net profit attributable to Shareholders of the Company	1,017,545,790.03	1,062,475,917.41	-4.23%
Net profit attributable to the Shareholders of the Company after deducting the extraordinary gains or losses	1,046,423,474.50	920,069,483.32	13.73%
Net cash flow from operating activities	1,426,385,813.18	674,910,992.08	111.34%
Total profit	1,322,572,532.90	1,371,165,998.33	-3.54%
Basic earnings per share (RMB/share)	1.09	1.14	-4.39%
Diluted earnings per share (RMB/share)	1.09	1.14	-4.39%
Basic earnings per share after deducting the extraordinary gains or losses (RMB/share)	1.12	0.98	14.29%
Weighted average return on equity	7.63%	8.65%	Decreased by 1.02 percentage points
Return on equity attributable to Shareholders of the Company	7.91%	8.85%	Decreased by 0.94 percentage point
Ratio of equity attributable to Shareholders of the Company to total assets	56.10%	56.99%	Decreased by 0.89 percentage point

Items	End of the Period	Beginning of the Period	Period-to-period change
Total assets	22,937,729,133.65	22,371,915,590.82	2.53%
Total liabilities	8,950,902,250.48	8,060,890,797.20	11.04%
Net assets attributable to the Shareholders of the Company	12,866,920,066.87	13,003,763,631.47	-1.05%
Share capital	934,957,557.00	937,865,121.00	-0.31%
Shareholders' equity per share attributable to the Shareholders of the Company (RMB/share)	13.76	13.87	-0.79%

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)	934,997,951
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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)	1.09

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

Items	Unit: RMB Amounts
Gains and losses on disposal of non-current assets (including the written-off portion of provisions made for asset impairment)	-510,518.91
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)	79,946,913.82
Gains or losses arising from changes in fair value derived from holding of financial assets held for trading and financial liabilities held for trading, and investment income generated on disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial assets, except for effective hedging activities related to the ordinary operating business of the Company	-89,624,563.81
Other non-operating income and expenditure apart from the above items	-2,579,278.17
Less: Income tax effect	8,492,311.23
Effect of minority interests (after tax)	7,617,926.17
Total	-28,877,684.47

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

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

The industry in which the Company operates is the pharmaceutical manufacturing industry. The pharmaceutical industry is a national strategic emerging industry and an integral part of the national economy. During the 13th Five-Year Plan period, the added value of the pharmaceutical industry above designated size increased by 9.5% annually, which is 4.2 percentage points higher than the overall growth rate of the industry, and the proportion of the total added value of the industry increased from 3.0% to 3.9%. The operating revenue and total profits of enterprises above designated size grew at an average annual rate of 9.9% and 13.8%, ranking among the fastest among all industrial sectors. In addition, the scale of leading enterprises is growing, and industrial concentration is improving. In 2022, reforms in the pharmaceutical and health system have deepened further, the environment for innovation continues to improve, the pharmaceutical industry continues to make progress in the direction of further transformation and upgrading and high-quality development that encourages innovation. As the aging population of our nation grows, and the level of urbanization keeps on increasing, the pharmaceutical industry of our nation as a whole, will present a continuous upward development trend.

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

In the Group's R&D pipeline, products under research based on platforms such as biologics and microspheres, inject new vitality into the Company's business development. The Company regards R&D and innovation as the foundation of sustainability, focuses on unmet clinical needs, places emphasis on innovative drugs and high-barrier complex preparations, and further strengthens innovative R&D and business layout of psychiatry and tumor immunology products, on the basis of original fields of strength such as assisted reproduction and gastroenterology. Meanwhile, while continuously strengthening independent innovation, the Company also pays attention to cutting-edge technologies, strengthens external cooperation, actively develops innovative business cooperation models in the global market, and advances its international presence.

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

- (1) On 30 January 2022, nine departments, including the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Commerce, the National Health Commission, the Ministry of Emergency Management, the National Healthcare Security Administration, the National Medical Products Administration and the National Administration of Traditional Chinese Medicine, jointly issued the "14th Five-Year Plan for the Development of the Pharmaceutical Industry" (the "Plan"). The Plan clarifies the development goals for the next five years: by 2025, major economic indicators will achieve medium-high growth, innovation achievements in frontier fields will be prominent, innovation driving force will be strengthened, the modernization level of industrial chain will be significantly improved, the supply and guarantee system of pharmaceutical devices will be further improved, and internationalization will be advanced in an all-round way. The Plan puts forward goals for the pharmaceutical industry in terms of scale efficiency, innovation-driven development transformation, industrial chain and supply chain, drug and equipment supply and international development. The pharmaceutical industry is expected to enter into a new round of sustainable development.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

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

- (2) On 29 March 2022, the General Office of the State Council issued the "14th Five-Year Plan for the Development of Traditional Chinese Medicine" (the "Plan for Traditional Chinese Medicine"), which is the first five-year plan for the development of traditional Chinese medicine issued by the General Office of the State Council since the founding of new China, and an overall, strategic and supportive plan for the development of traditional Chinese medicine following the "Outline of the Strategic Plan for the Development of Traditional Chinese Medicine (2016-2030)", the "Opinions of the CPC Central Committee and the State Council on Promoting the Inheritance, Innovation and Development of Traditional Chinese Medicine", and the "Several Policies and Measures for Accelerating the Development of Traditional Chinese Medicine with Distinctive Features", as well as a programmatic document for implementing the decisions and arrangements of the Communist Party of China (the "CPC") Central Committee and the State Council on traditional Chinese medicine work and promoting the revitalization and development of traditional Chinese medicine during the 14th Five-Year Plan period. The Plan for Traditional Chinese Medicine integrates key areas such as medical treatment, scientific research, industry, education, culture and international cooperation, gives full play to the diversified value of traditional Chinese medicine, and sets out new ideas and key tasks for the high-quality development of traditional Chinese medicine. A series of relevant policies demonstrate the government's emphasis on the traditional Chinese medicine industry and its confidence in the future development of the industry, and also bring more development opportunities to related enterprises of traditional Chinese medicine.
- (3) On 25 May 2022, the General Office of the State Council issued the "Key Tasks for Further Reform of the Medical and Health Care System in 2022" (the "Task"), which has listed 4 aspects and 21 key tasks, so as to speed up fostering a new and orderly medical service and treatment pattern, further extend the experience gained from the medical and health care reforms in Sanming city, improve the ability of public health services and promote the high-quality development of medicine and health care. The overall requirements of the Task are to comprehensively promote the construction of a healthy China, further promote the experience of medical reform from Sanming City, promote the expansion and balanced distribution of high-quality medical resources, deepen the interconnected reform of medical care, medical insurance, and medicine, continue to promote the transformation from focusing on medical treatment to focusing on people's health, and strive to address the difficulty and high cost of medical services. Other periodic development requirements are also raised over the pharmaceutical industry.
- (4) In the "Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2021)" published in December 2021 and coming into effect on 1 January 2022, a total of 74 drugs were added to the catalogue, 11 drugs were removed from the catalogue, and 67 exclusive drugs not in the medical insurance catalogue have been successfully negotiated, with an average price reduction of 61.71%. On 13 June 2022, the National Healthcare Security Administration released the "Work Plan for the Adjustment to 2022 Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance" and related documents for public comments, marking the official start of current round of adjustment to the national medical insurance catalogue. This adjustment to the medical insurance catalogue fully reflects the national concern on the drugs for rare diseases and children's drugs, on the basis of continuing to support the drugs for SARS-CoV-2 pneumonia and the innovative drugs.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

II. 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, APIs and intermediates as well as diagnostic reagents and equipment. Major products include drug preparation products such as Ilaprazole (Ilaprazole Enteric-Coated Tablet and laprazole 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)), Leuporelin 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 (硫酸粘菌素), 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 Diagnostic Kit for IgM/IgG Antibody to Coronavirus (SARS-CoV-2) (Lateral Flow) (新型冠狀病毒(2019-nCoV) IgM/IgG抗體檢測試劑盒(膠體金法)), 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)) and Diagnostic Kit for Human Immunodeficiency Virus Antibody (ELISA) (人類免疫缺陷病毒抗體診斷試劑盒(酶聯免疫法)).

In the first half of 2022, under the localized resurgence of COVID-19 pandemic and 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 industry and market challenges, further improved the operational management and R&D efficiency, made greater efforts in digital transformation, and continued to enhance the competitive advantages of its products in the various aspects such as products’ clinical evidence, quality, costs and market share, thereby realizing the stability and growth in revenue from the principal businesses, while further consolidating the foundation and capabilities for the sustainability of our enterprise.

During the Reporting Period, the Group recorded an operating income of RMB6,302.57 million, representing an increase of 1.08% as compared with RMB6,235.53 million in the Same Period Last Year; a net profit attributable to Shareholders of the Company of RMB1,017.55 million, representing a decrease of 4.23% as compared with RMB1,062.48 million in the Same Period Last Year. Excluding extraordinary gains and losses, the Company’s net profit attributable to its Shareholders generated from its principal businesses in the first-half of 2022 was RMB1,046.42 million, representing an increase of 13.73% as compared with RMB920.07 million in the Same Period Last Year.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

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

(1) Chemical drug preparation products

During the Reporting Period, the Group realized sales revenue of RMB3,673.73 million from chemical drug preparation products, representing a period-to-period decrease of 1.52% and accounting for 58.88% of the Group's income from principal businesses for the Period.

During the Reporting Period, the Group's marketing team actively implemented sales arrangements and intensified the promotion of products and brands: (i) terminal resources were focused, terminal assessment on KA (Key Account) hospitals, Class 3 hospitals and key Class 2 hospitals was the key assessment direction, and assessment of coverage rate and accomplishment rate of core products was enhanced. During the Reporting Period, the hospital coverage rate of key products such as Ilaprazole series products (艾普拉唑系列產品) and Fluvoxamine Maleate Tablets (馬來酸氟伏沙明片) continued to increase; (ii) evidence-based and academic-driven marketing were insisted, and promotion activities were carried out in the hospitals which are below accomplishment rate assessment and in benchmark hospitals. Under the pandemic, the online promotion activities which interconnected offline activities were actively carried out across the country, the digital marketing was actively promoted, and the clinical and pharmaco-economics research of key products in the post-launch stage were proceeded in an orderly manner; (iii) the promotion of OTC products was strengthened, the online communication interaction and the empowerment of chain pharmacies were carried out, which enhanced the Company's corporate brand image, and the sales of OTC improved in the second quarter of 2022; (iv) followed-up on the national medical reform policies and measures implemented in various local regions, and core work on market access such as medical insurance and tender invitation was solidly completed; (v) in terms of international business layout, the access and promotion of products in the fields including assisted reproduction, antifungal and gastroenterology in countries and regions such as Pakistan, Indonesia, Philippines, Malaysia and Uzbekistan were strengthened.

The Company continued to pay attention to new molecules and cutting-edge technologies in the field of global new drug R&D, made layout of innovative drugs and high-barrier complex preparations based on clinical value and differentiated prospect, and focused on assisted reproduction, gastroenterology, psychiatry and neurology, anti-tumor and other fields. During the Reporting Period, the key projects of chemical drug preparations under research were effectively advanced and will soon enter the stage of intensive harvesting. Important progressive developments were as follows:

High-barrier complex preparations including microspheres: Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) (1-month sustained release) was in the stage of marketing authorization review; Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) (1-month sustained release) has completed the phase I multiple-dose clinical trial enrollment; Octreotide Acetate Microspheres for Injection (注射用醋酸奥曲肽微球) (1-month sustained release) and Leuporelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) (3-month sustained release) have started BE pre-test.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

(1) Chemical drug preparation products *(continued)*

Polypeptide preparations: Semaglutide Injection (司美格魯肽注射液) was submitted for clinical application, which has been accepted by CDE and was under review.

Other key projects under research: Cetrorelix Acetate for Injection (注射用醋酸西曲瑞克) submitted a reply to the defect letter for the registration application in the United States; Blonanserin Tablets (布南色林片) and Lurasidone Hydrochloride Tablets (鹽酸魯拉西酮片) have applied for production; the new indication of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) completed the phase III clinical trial, and submitted application materials.

Key projects for consistency evaluation: Alanyl Glutamine Injection (丙氨酰谷氨酰胺注射液), Clarithromycin Tablets (克拉霉素片) and Valsartan Capsules (緬沙坦膠囊) were approved.

In respect of production and quality management, the Company continued to improve product delivery capabilities and production efficiency. Meanwhile, the Company has established a quality system and a pharmacovigilance system for the entire product life cycle (product R&D, product production and product operation) to continuously improve the level of quality management. During the Reporting Period, the quality supervision of production and scientific research adopted a series of management models such as regular follow-up audits, special audits, extended checks and random checks, to expand the scope and depth of inspections. The MAH (Drug Marketing Authorization Holder) system was running smoothly. The Company (holder of B certificate) formulated 63 quality management and pharmacovigilance management system documents, intervening from the product R&D stage, to carry out quality management for the drug life cycle, and gradually revised and improved the documents during the implementation process. 15 quality management documents and 17 pharmacovigilance management documents were revised during the Reporting Period. In addition, during the Reporting Period, in order to strengthen the identification and assessment of drug risks of products under research, the Company established a pre-market pharmacovigilance headquarters. In general, the quality management system of the Group was further optimized, and the systematic environmental protection and safety risk management were further improved. The overall quality of production and operation was good, without the occurrence of any major quality and safety incidents, environmental protection incidents, safety incidents and occupational health incidents.

During the Reporting Period, in terms of international registration, 2 of the chemical drug preparation products of the Group were approved for registration in overseas markets (Valacyclovir Hydrochloride Tablet (鹽酸伐昔洛韋片) and Penciclovir cream (噴昔洛韋乳膏)). As at 30 June 2022, a total of 17 chemical drug preparation products of the Group completed 22 registrations in various overseas countries/regions.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

(2) Biologics

In 2022, the global COVID-19 pandemic continued to spread. During the Reporting Period, LivzonBio, a subsidiary of the Company, focused on promoting the conditional market launch application of Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗) ("V-01"), and completed the phase III clinical principal analysis report of the sequential immunization and primary vaccination and the submission of application materials to CDE in February 2022 and May 2022, respectively. At the same time, it actively promoted the domestic EUA (Emergency Use Authorization) application. In respect of overseas registration, the EUA materials for Philippines, Indonesia and Malaysia were submitted, and the registration materials for export of stock solution to Pakistan were submitted; the EUL (Emergency Use Listing) application of V-01 was under active communication with WHO. In addition, according to the global trend of COVID-19 pandemic and the prevalence of COVID-19 variants, LivzonBio has developed a variety of variant vaccines and related bivalent vaccines and carried out relevant studies on booster/sequential immunization on animals and clinical trials. In order to meet the future market demand upon the approval of emergency use or the market launch of V-01, LivzonBio has completed the construction of the third preparation workshop (2-person and 10-person production line) on the basis of the existing 1 stock solution production line and 2 preparation production lines.

On the other hand, LivzonBio continued to focus on new molecules, new targets and differentiated molecular designs in the fields of oncology, autoimmune diseases and assisted reproduction. During the Reporting Period, the following projects of biologics have achieved phase progress in R&D: Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素) was approved for market launch in 2021 as the first domestic generic drug and has started sales, and at the same time, its work related to overseas registration was being promoted, and applications for overseas registration in Uzbekistan, Tajikistan and Nigeria were submitted; the application for BLA (Biologic License Application) of Tocilizumab Solution for Injection (托珠單抗注射液) (i.e. Recombinant Humanized Anti-human IL-6R Monoclonal Antibody Solution for Injection (重組人源化抗人IL-6R單克隆抗體注射液)) was filed and was under review by CDE. It has successfully passed the on-site inspection of drug registration and production and received the registration inspection qualification report. Meanwhile, its WHO's PQ (Pre-qualification) work was promoted actively; Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody Injection (重組抗人IL-17A/F人源化單克隆抗體注射液) has completed the phase Ib clinical interim analysis for psoriasis indications. The high, medium and low dose groups demonstrated good efficacy and safety. The phase II clinical subjects have been enrolled, and the efficacy and safety were under observation. In addition to advancing projects at the clinical stage, LivzonBio was also conducting R&D in the fields of bispecific antibodies and cell therapy, etc.

With the successive approvals for market launch of its products, LivzonBio has enriched relevant teams such as pharmacovigilance, production quality and production-sales connection, and continuously improved its overall operational capabilities and adapted to future commercialization needs.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

(3) APIs and intermediates

During the Reporting Period, the API business department of the Company adhered to the guiding philosophy of “safeguarding product safety and environmental protection, ensuring quality, reducing costs and grabbing the market”, and continued to strengthen EHS, quality, R&D, production, sales and other efforts. During the Reporting Period, the Group realized sales revenue of RMB1,729.34 million from APIs and intermediate products, representing a period-to-period increase of 18.26%, and accounting for 27.72% of the Group’s income from principal businesses for the Period.

In respect of marketing, during the Reporting Period, the Group’s API products maintained a good growth momentum in terms of sales and profit margins, especially the high-end antibiotic products and high-end pet drug products recorded strong growth in overseas market share. Daptomycin (達托霉素), Milbemycin Oxime (米爾貝肟) and Moxidectin (莫昔克丁) have prominent advantages in long-term cooperation with major international pharmaceutical companies, and the proportion of procurement has increased year by year. The Group is also increasingly becoming the preferred strategic partner of leading enterprises in the global pharmaceutical industry. Meanwhile, the cephalosporin series products also seized the opportunity of domestic consistency evaluation, bucked the trend, and created the best results in history with both the quantity and price rising.

In respect of R&D, during the Reporting Period, the Group focused on promoting the R&D of high-end pet drugs and animal health drugs, and the key tasks completed were as follows: (i) Fluralaner (氟雷拉納) and Afoxolaner (阿氟拉納), the high-end pet drugs, have carried out industrialized production verification and registration application; (ii) continued to carry out the registration application of 24 animal health products including Moxidectin (莫昔克丁), a spray preparation for large animals, and the introduction of external new products; (iii) Milbemycin Oxime (米爾貝肟) was granted for veterinary drug approval number in China.

During the Reporting Period, the API business department continued to lay a solid foundation for environmental protection and safety, improved the quality research of existing products and optimized production processes. While promoting normalization of GMP, each of our production enterprises were actively promoting international registration certification: during the Reporting Period, 5 products were registered internationally which mainly include: Daptomycin (達托霉素) was approved for registration in Taiwan, China; Moxidectin (莫昔克丁) was approved for registration in Europe; Tobramycin (妥布霉素) was approved for registration in South Korea; Vancomycin Hydrochloride Precipitation Powder (鹽酸萬古霉素沉澱粉) was approved for registration in United Kingdom; Acarbose (阿卡波糖) was approved for registration in Europe. During the Reporting Period, the Group’s APIs have obtained 4 certificates for international certification, including 1 EU GMP certificate (Teicoplanin (替考拉寧) and Vancomycin Hydrochloride (鹽酸萬古霉素)), 2 CEP certificates (Moxidectin (莫昔克丁) CEP certificate and Acarbose (阿卡波糖) CEP certificate, respectively) and 1 Japanese site accreditation certificate for Moxidectin (莫昔克丁) veterinary drug.

As at 30 June 2022, a total of 62 API products of the Group completed 176 registrations in 61 countries/regions, of which, a total of 31 API products of the Group completed 125 registrations in 60 overseas countries/regions, and a total of 49 API products of the Group completed registrations in the domestic market. As at 30 June 2022, 17 of the Group’s API varieties passed on-site inspections for international certification, and the Group’s APIs obtained 49 certificates of international certification within the validity period (of which 9 varieties passed FDA on-site inspections and 14 varieties obtained CEP certificates) and 2 qualification certificates.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

(4) Traditional Chinese medicine preparations

During the Reporting Period, the traditional Chinese medicine preparation products of the Group realized sales revenue of RMB490.62 million, representing a period-to-period decrease of 19.60%, accounting for 7.86% of the Group's income from principal businesses for the Period.

During the Reporting Period, the Group deeply cultivated end markets such as grade hospitals, primary medical institutions and retail pharmacies, and continued to strengthen academic support for key products and research on clinical data evidence. The Group has improved the clinical evidence-based medical research evidence of Shenqi Fuzheng Injection (參芪扶正注射液), strengthened its academic promotion, focused on the field of oncology treatment, and expanded its coverage to county-level medical institutions, resulting in a significant increase in sales revenue from grassroots level. Anti-viral Granules (抗病毒顆粒) was selected into the Expert Consensus on the Prevention and Treatment of New Coronavirus with Proprietary Chinese Medicines (中成藥防治新型冠狀病毒肺炎專家共識), which is suitable for patients with mild or ordinary COVID-19 pneumonia, helping to prevent and control the pandemic.

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

In addition, the Group has also successfully advanced the construction of medicinal materials plantation base of key marketed products, filing of changes in technical process and research work such as technological advancement.

(5) Diagnostic reagents and equipment

During the Reporting Period, the Group's diagnostic reagents and equipment realized sales revenue of RMB346.04 million, representing a period-to-period decrease of 11.43%, accounting for 5.55% of the Group's income from principal businesses for the Period.

In the first half of 2022, Livzon Diagnostics will focus on market promotion and establishment of regional benchmarking customers for product lines including self-immune multiple and nucleic acid test for infectious diseases. During the Reporting Period, Livzon Diagnostics has successively developed a number of regional benchmarking customers for such products, and won the bids of multiple provincial and ministerial hospitals with great academic influence, laying a sound foundation for sales in the second half of 2022. In addition, the sales of Livzon Diagnostic's respiratory products increased significantly despite the impact of the COVID-19 pandemic. At the same time, Livzon Rapid Test for 2019-nCoV Antigen (Lateral Flow) (新型冠狀病毒(2019-nCoV)抗原檢測試劑盒(乳膠法)) of Livzon Diagnostic was successfully approved for market launch in April 2022 and gained a certain amount of market sales, contributing the "Power of Livzon" in the fight against the COVID-19 pandemic.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

(5) Diagnostic reagents and equipment *(continued)*

During the Reporting Period, Livzon Diagnostics continued to focus on the strategic disease areas and the layout of the departments to deepen its business and carried out parallel development of multi-disease detection reagents based on its mature product lines. In March 2022, Livzon Diagnostics actively responded to the national pandemic prevention and control policy and promptly initiated the registration of Livzon Rapid Test for 2019-nCoV Antigen (Lateral Flow) (新型冠狀病毒(2019-nCoV)抗原檢測試劑盒(乳膠法)), which was successfully approved for market launch in April 2022. Diagnostic Kit for Immunoglobulin G4 (Chemiluminescence Immunoassay) (免疫球蛋白G4測定試劑盒(化學發光法)) and its supporting calibrators and quality control products obtained registration certificates in June 2022. During the Reporting Period, six projects, including Livzon Rapid Test for 2019-nCoV Antigen (Lateral Flow) (新型冠狀病毒(2019-nCoV)抗原檢測試劑盒(乳膠法)) and Nucleic Acid Test Kit for Monkeypox Virus (Real-time PCR) (猴痘病毒核酸檢測試劑盒(PCR-熒光探針法)), successively obtained overseas CE certificates.

(6) Commercial development and functional management

While enhancing independent innovation continuously, the Company continued to deepen collaborative development and licensing introduction, and connected with global advantageous resources and forefront technologies to strengthen the Company's capabilities in commercialization and integration. During the Reporting Period, the Group achieved phase progress in BD, striving to realize product iteration and technology platform construction at a fast pace but in a stable manner; strengthened the collaborative development and licensing introduction of varieties in core areas, and introduced via license a number of projects in the psychiatry field and gastroenterology field, which have expanded the Group's R&D pipelines; continued to build innovative technology platforms, and advanced the establishment of the Company's computational chemistry platform and small molecule innovative drug platform; further collaborated with the R&D team to assist the R&D team in building a full-cycle differentiated innovative product pipeline from a global perspective, and meanwhile, strengthened capabilities in overseas clinical trials and drug registration application to expand overseas markets continuously and promote the internationalization of preparation products actively, including the EUA application and registration, technology transfer and commercialization plan of V-01 (Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗)) project in multiple overseas countries during the Reporting Period.

The key tasks of the functional management of the Company were set out as follows: first, further strengthened the system construction and implementation of standardized operation and risk control, and formulated the Patent Work Process and Trademark Management System of Livzon and the Compliance Management Standards for Imported Materials; second, put forward higher requirements and goals for the sustainability efforts, promulgated the assessment rules for ESG indicators and actively fulfilled the social responsibilities; third, further improved the organizational structure and institutional settings of the Company and some of its subsidiaries, resulting in clearer organizational responsibilities and more optimized processes; fourth, introduced first-class talents from around the world continuously while intensifying the efforts in digging, cultivating and promoting young talents internally. During the Reporting Period, the Company introduced talents at all levels for departments of early discovery, pharmaceutical research, clinical medicine, domestic and overseas BD and quality management, and a young, professional and globalized workforce had been built; fifth, by conscientiously taking normalized prevention and control measures for COVID-19 pandemic, the Company proactively coordinated the pandemic prevention and control and production and operation work, and conducted weekly inspections on pandemic prevention and control. At the same time, the Company actively responded to the government's anti-pandemic campaign, and organized multiple nucleic acid tests in the industrial park in Zhuhai, the headquarters of the Company.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF CORE COMPETITIVE STRENGTHS

The Group adheres to the direction of three major strategies of “talent strategy, product strategy and market strategy” and upholds the mission of prioritizing the quality of life of its patients with the goal of becoming a leading pharmaceutical enterprise within the industry. The Group continuously improved the efficiency of management control and governance standards, accelerated the steady progress in R&D and enhanced marketing management continuously, thereby achieving stable growth in the performance results. During the Reporting Period, the Group’s core competitive strengths 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 and traditional Chinese medicine preparation products, biologics and diagnostic reagents, and has established specialised technology platforms for R&D of sustained release microspheres and R&D of biologics with core leading R&D talents. By proactively introducing domestic and foreign experts and innovative talents, constantly increasing R&D investments, developing overseas strategic alliances, and focusing on areas of assisted reproduction, gastroenterology, psychiatry and neurology and tumor immunity, the Group has established a clear and diverse R&D pipeline for products, 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 field such as assisted reproduction, gastroenterology, psychiatry, neurology and tumor immunity. Currently, the Company further focuses on innovative drug and high-barrier complex drug preparation. Under the policy of the consistency evaluation and minimum procurement commitment, the Group enjoys unique advantage in terms of APIs and will continue to increase its efforts to integrate API and drug preparation products.

(3) Comprehensive marketing system and professional marketing team

The Group refined its management on marketing activities by improving the establishment of its marketing system, optimizing its incentive assessment mechanism and continuously strengthening outlet 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 centres, health authorities and pharmaceutical enterprises.

(4) Mature quality management system

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES

1. Summary

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

☒ Yes ☐ No

Please refer to the "II. 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. Income and Costs

(1) Composition of income from principal businesses

Unit: RMB

		Period		Previous Period		
		Amount	As a percentage of income from principal business	Amount	As a percentage of income from principal business	Period-to-period change
Total income from principal business		6,239,730,885.56	100.00%	6,193,787,467.88	100.00%	0.74%
By industry						
Pharmaceutical manufacturing industry		6,239,730,885.56	100.00%	6,193,787,467.88	100.00%	0.74%
By Product						
Chemical drug preparation products	Gastroenterology products	1,780,511,747.98	28.54%	1,938,695,952.94	31.30%	-8.16%
	Gonadotropic hormone products	1,344,050,044.92	21.54%	1,258,194,562.14	20.31%	6.82%
	Psychiatry products	263,996,008.51	4.23%	193,747,491.48	3.13%	36.26%
	Anti-infection products	194,652,582.42	3.12%	195,132,592.63	3.15%	-0.25%
	Other products	90,516,048.17	1.45%	144,763,247.88	2.34%	-37.47%
API and intermediate products		1,729,342,519.18	27.72%	1,462,311,923.98	23.61%	18.26%
Traditional Chinese medicine preparation products		490,619,490.51	7.86%	610,258,117.05	9.85%	-19.60%
Diagnostic reagent and equipment products		346,042,443.87	5.55%	390,683,579.78	6.31%	-11.43%
By region						
Domestic		5,384,558,203.78	86.29%	5,407,801,582.14	87.31%	-0.43%
Overseas		855,172,681.78	13.71%	785,985,885.74	12.69%	8.80%

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

4. Income and Costs *(continued)*

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

Unit: RMB

	Income from principal businesses	Costs of principal businesses	Gross profit margin	Period-to-period change in income from principal businesses	Period-to-period change in costs of principal businesses	Period-to-period change in gross profit margin
By industry						
Pharmaceutical manufacturing industry	6,239,730,885.56	2,147,073,871.95	65.59%	0.74%	2.67%	Decreased by 0.65 percentage point
By Product						
Chemical drug preparation products	3,673,726,432.00	768,969,064.16	79.07%	-1.52%	0.86%	Decreased by 0.49 percentage point
API and intermediate products	1,729,342,519.18	1,076,729,669.00	37.74%	18.26%	6.40%	Increased by 6.94 percentage points
Traditional Chinese medicine preparation products	490,619,490.51	137,318,575.64	72.01%	-19.60%	-14.18%	Decreased by 1.77 percentage points
Diagnostic reagent and equipment products	346,042,443.87	164,056,563.15	52.59%	-11.43%	4.54%	Decreased by 7.24 percentage points
By region						
Domestic	5,384,558,203.78	1,689,043,069.92	68.63%	-0.43%	5.73%	Decreased by 1.83 percentage points
Overseas	855,172,681.78	458,030,802.03	46.44%	8.80%	-7.25%	Increased by 9.27 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

(3) Income from principal businesses by region

Unit: RMB

Region	Amount for the Period		Amount for the Previous Period	
	Income from principal businesses	Costs of principal businesses	Income from principal businesses	Costs of principal businesses
Domestic	5,384,558,203.78	1,689,043,069.92	5,407,801,582.14	1,597,504,695.96
Overseas	855,172,681.78	458,030,802.03	785,985,885.74	493,809,779.51
Total	6,239,730,885.56	2,147,073,871.95	6,193,787,467.88	2,091,314,475.47

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

4. Income and Costs *(continued)*

(4) Major customers and suppliers

During the Reporting Period, sales to the five largest customers of the Group accounted for 9.42% (Same Period Last Year: 8.72%) of income from principal businesses of the Group, while amount of purchases from the five largest suppliers of the Group accounted for approximately 27.33% (Same Period Last Year: 27.61%) of the Group's total amount of purchases of raw materials. The five largest customers have been customers of the Group for 13.2 years on average, and the five largest suppliers have been suppliers of the Group for 14.8 years on average.

5. Expenses

During the Reporting Period, four types of expenses, including selling expenses, administrative expenses, R&D expenses and finance expenses, incurred by the Group amounted to RMB2,717.46 million in aggregate, representing a period-to-period decrease of RMB99.65 million or decreased by 3.54%, the details of which are set out in the following table:

Unit: RMB

Item	Amount for the Period	Amount for the Previous Period	Period-to-period change	Reason for material changes
Selling expenses	1,903,575,926.16	2,045,170,075.55	-6.92%	No material changes.
Administrative expenses	354,872,804.38	290,077,542.12	22.34%	No material changes.
R&D expenses	554,519,983.73	506,868,876.08	9.40%	No material changes.
Finance expenses	-95,511,146.51	-25,013,781.78	-281.83%	Mainly due to an increase in interest income from deposits during the Period as compared with the Previous Period.
Total	2,717,457,567.76	2,817,102,711.97	-3.54%	

During the Reporting Period, the total income tax expenses were RMB205.07 million, representing a period-to-period increase of RMB13.69 million or of 7.15%, which was mainly due to the increase in provision for income tax expenses according to the operating results of the Company for the Period.

6. Investment in R&D

✓ Applicable ☐ Not applicable

During the Reporting Period, the Group's total expenditure relating to R&D amounted to approximately RMB639.16 million (Previous Period: RMB545.28 million), representing a period-to-period increase of 17.22%, accounting for approximately 4.97% of the net assets attributable to Shareholders of the Company and approximately 10.14% (Previous Period: 8.74%) of the Group's total operating income in the Reporting Period.

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

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

(1) Chemical drug preparations

High-barrier complex preparations including microspheres: there were a total of 7 projects under research, among which 1 project was under registration review for marketing authorization, 1 project was under the phase I clinical trial and 2 projects were under the BE trial. Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) (1-month sustained release) had applied for marketing and completed the on-site inspection of research and production; Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) (1-month sustained release) was under the phase I multiple-dose clinical trial; Octreotide Acetate Microspheres for Injection (注射用醋酸奥曲肽微球) (1-month sustained release) and Leuporelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) (3-month sustained release) had carried out the BE pre-trial; Triptorelin Pamoate Microspheres for Injection (注射用雙脛萘酸曲普瑞林微球) prepared to commence the phase I clinical trial; Alarelin Microspheres for Injection (注射用丙氨瑞林微球) (1-month sustained release) completed technological magnification research and its clinical phase I ethics was under review; and Goserelin Acetate Sustained-release Implant (醋酸戈舍瑞林緩釋植入劑) had carried out the bridging test of pilot production.

Polypeptide drug preparations: Semaglutide Injection (司美格魯肽注射液) submitted a clinical trial application, which was accepted by CDE and was under review.

Other key projects under research: there were a total of 26 projects under research, among which 5 projects applied for production and 4 projects were under clinical trials/BE studies. Cetrorelix Acetate for Injection (注射用醋酸西曲瑞克) submitted a reply to the defect letter for the registration application in the United States; Blonanserlin Tablets (布南色林片) and Lurasidone Hydrochloride Tablets (鹽酸魯拉西酮片) have applied for production; the new indication of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) completed the phase III clinical trial, and submitted application materials; the innovative anti-tumor drug LZ001 project received the notice of approval for clinical trial and was under the phase I clinical trial; the application for clinical trials of Progesterone Injection (黃體酮注射液) was accepted by CDE.

Consistency evaluation: There were a total of 16 projects under research. The relevant materials of Cefodizime Sodium for Injection (注射用頭孢地嗪鈉) was submitted and was under review; the professional review of Bismuth Potassium Citrate Capsules (枸橼酸鉍鉀膠囊) was completed, pending review conclusion; and Rabeprazole Sodium Enteric-coated Tablets (雷貝拉唑鈉腸溶片) was under BE trial.

(2) Biologics

As at 30 June 2022, there were a total of 7 projects under research, of which 1 project had been marketed, 1 project had applied for conditional market launch, 1 project had applied for BLA, 2 projects were in the phase Ib/II clinical trials and 2 projects were in the phase I clinical trial.

Among which, Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素) was approved for market launch in China in 2021, and was currently under overseas registration; V-01 had applied to the National COVID-19 Vaccine Special Class (國家新冠疫苗專班) for sequential emergency use, and a conditional market launch application was submitted to the National Medical Products Administration, which were both under review; the BLA application of Tocilizumab Solution for Injection (托珠單抗注射液) was accepted by CDE and was under CDE review; Recombinant Humanized Anti-PD-1 Monoclonal Antibody for Injection (注射用重組人源化抗PD-1單克隆抗體) 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) were under the phase Ib/II clinical trials; Recombinant Tumor Enzyme Specific Interferon α -2b Fc Fusion for Injection (注射用重組腫瘤酶特異性干擾素 α -2b Fc融合蛋白) and Recombinant Human Follitropin Alfa Solution for Injection (重組人促卵泡激素注射液) were under the phase I clinical trials.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

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

(3) Diagnostic reagents and equipment

There were a total of 98 projects under research, of which 12 projects (including the projects under review) were in the stage of clinical trials.

In regard to the R&D platform for reagents, 2 products including Livzon Rapid Test for 2019-nCoV Antigen (Lateral Flow) (新型冠狀病毒(2019-nCoV)抗原檢測試劑盒(乳膠法)) and Diagnostic Kit for Immunoglobulin G4 (Chemiluminescence Immunoassay) (免疫球蛋白G4測定試劑盒(化學發光法)) (IgG4) obtained registration certificates in China; 12 projects including 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)), Diagnostic Kit for Chlamydia Pneumoniae IgM Antibody (Fluorescence Immunochromatography) (肺炎衣原體IgM抗體檢測試劑(熒光免疫層析法)), 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 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)) entered the stage of clinical trials; 9 projects including Diagnostic Kit for IgM Antibody to Mycoplasma Pneumonia (Chemiluminescence Immunoassay) (肺炎支原體抗體IgM檢測試劑盒(化學發光法)), 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)), Three tests for ABO Blood Types (filtration assay) (ABO血型三項(滲濾法)) and Four Tests for Diabetes (糖尿病四項) were under registration application, of which Three tests for ABO Blood Types (filtration assay) (ABO血型三項(滲濾法)) and Diagnostic Kit for IgM Antibody to Mycoplasma Pneumonia (Chemiluminescence Immunoassay) (肺炎支原體抗體IgM檢測試劑盒(化學發光法)) were in the process of submitting supplementary materials for registration. Another batch of projects were under the stage of clinical trials and implementation.

In regard to the equipment R&D platform, second generation model of irradiator (輻照儀) completed registration inspection and entered the registration submission stage; Molecular all-in-one Machine (分子一體機) and Molecular POCT Project (分子POCT項目) entered the stage of prototype trial production.

V. ANALYSIS OF NON-PRINCIPAL BUSINESSES

✓ Applicable ☐ Not applicable

Unit: RMB

Item	Amount	As a percentage of total profit	Reason for occurrence	Sustainability
Investment income	36,642,122.86	2.77%	Mainly due to changes in profit and loss from investments in associates and income generated from settlement of foreign exchange upon maturity of forward foreign exchange contracts.	No
Gains or losses arising from changes in fair value	-88,778,045.12	-6.71%	Mainly due to fluctuations in the market value of subject securities investment held.	No
Asset impairment	-27,233,126.37	-2.06%	Mainly due to provision for diminution in value of inventories.	No
Non-operating income	3,398,795.40	0.26%	Mainly due to income from disposal of scrap items.	No
Non-operating expenditure	5,978,073.57	-0.45%	Mainly due to donation expenditure and loss on retirement of fixed assets.	No
Other income	82,440,651.49	6.23%	Mainly due to government subsidies received.	Yes

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. 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	9,232,850,780.02	40.25%	9,146,373,455.01	40.88%	-0.63%	No material changes
Accounts receivables	2,167,129,953.93	9.45%	1,951,898,111.20	8.72%	0.73%	No material changes
Contract assets	—	—	—	—	—	—
Inventories	1,813,541,411.62	7.91%	1,663,227,968.17	7.43%	0.48%	No material changes
Investment properties	—	—	—	—	—	—
Long-term equity investments	1,082,707,361.85	4.72%	1,064,968,250.00	4.76%	-0.04%	No material changes
Fixed assets	3,567,698,487.23	15.55%	3,669,728,093.97	16.40%	-0.85%	No material changes
Construction in progress	853,041,996.94	3.72%	554,575,587.48	2.48%	1.24%	No material changes
Right-of-use assets	20,006,853.09	0.09%	14,588,322.60	0.07%	0.02%	No material changes
Short-term loans	1,607,775,000.02	7.01%	2,043,048,023.71	9.13%	-2.12%	No material changes
Contract liabilities	55,383,313.65	0.24%	167,796,768.82	0.75%	-0.51%	No material changes
Long-term loans	1,663,726,004.58	7.25%	636,780,252.78	2.85%	4.40%	No material changes
Leasing liabilities	8,426,983.84	0.04%	5,274,240.80	0.02%	0.02%	No material changes

2. Major Foreign Assets

☐ Applicable ☒ Not applicable

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. 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)	177,262,015.99	-77,505,338.23	-	-	-	-	99,756,677.76
2. Derivative financial assets	5,511,338.57	-5,461,473.01	-	-	-	-	49,865.56
3. Other debt investments	-	-	-	-	-	-	-
4. Other equity instrument investments	629,914,544.37	-	-7,326,939.56	-	407,895.55	-	622,995,500.36
Subtotal of financial assets	812,687,898.93	-82,966,811.24	-7,326,939.56	-	407,895.55	-	722,802,043.68
Investment properties	-	-	-	-	-	-	-
Productive biological assets	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Total	812,687,898.93	-82,966,811.24	-7,326,939.56	-	407,895.55	-	722,802,043.68
Financial liabilities	143,302.24	-5,811,233.88	-	-	-	-	5,954,536.12

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 thirteenth meeting of the ninth 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 collectively share the cap for the bills pooling business amount of no more than RMB1.4 billion. The cap may be used on revolving basis. As at the End of the Reporting Period, the balance of bills receivable pledged to the banks applied by the Group was RMB264.1189 million. The balance of the actual deposits paid by the Company and its subsidiaries for the businesses such as letters of guarantee was RMB0.9610 million.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL POSITION *(continued)*

5. Material Changes in Consolidated Balance Sheet Items

Item	Unit: RMB		
	30 June 2022	31 December 2021	Change
Financial assets held for trading	99,806,543.32	182,773,354.56	-45.39% ⁽¹⁾
Non-current assets due within one year	38,498.84	317,381.23	-87.87% ⁽²⁾
Other current assets	23,372,109.79	57,624,626.16	-59.44% ⁽³⁾
Long-term receivables	82,574.69	266,904.13	-69.06% ⁽⁴⁾
Construction in progress	853,041,996.94	554,575,587.48	53.82% ⁽⁵⁾
Right-of-use assets	20,006,853.09	14,588,322.60	37.14% ⁽⁶⁾
Other non-current assets	283,041,731.19	444,352,845.12	-36.30% ⁽⁷⁾
Financial liabilities held for trading	5,954,536.12	143,302.24	4,055.23% ⁽⁸⁾
Contract liabilities	55,383,313.65	167,796,768.82	-66.99% ⁽⁹⁾
Taxes and surcharge payables	321,942,558.56	160,385,251.99	100.73% ⁽¹⁰⁾
Other current liabilities	3,911,435.31	13,485,363.41	-70.99% ⁽¹¹⁾
Long-term loans	1,663,726,004.58	636,780,252.78	161.27% ⁽¹²⁾
Leasing liabilities	8,426,983.84	5,274,240.80	59.78% ⁽¹³⁾
Treasury shares	—	71,209,491.00	-100.00% ⁽¹⁴⁾
Other comprehensive income	78,423,167.40	46,548,997.70	68.47% ⁽¹⁵⁾

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

- (1) It was mainly due to fluctuations in the market value of securities investment held.
- (2) It was mainly due to recovery of financial leasing amount.
- (3) It was mainly due to rebate of remaining VAT credit resulting in a reduction in remaining VAT credit.
- (4) It was mainly due to recovery of financial leasing amount.
- (5) It was mainly due to the investment of construction of new plants and workshops of subsidiaries.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL POSITION *(continued)*

5. Material Changes in Consolidated Balance Sheet Items *(continued)*

- (6) It was mainly due to the increase in lease contracts signed during the Period.
- (7) It was mainly due to rebate of remaining VAT credit resulting in a reduction in remaining VAT credit and the reduction in prepayment amount of project and equipment.
- (8) It was mainly due to changes in forward foreign exchange contracts.
- (9) It was mainly due to part of the contract prepayment amount fulfilled the conditions for recognition during the Period and transferred to revenue.
- (10) It was mainly due to the increase in enterprise income tax payable and individual income tax payable withheld as a result of distribution of dividends.
- (11) It was mainly due to part of the contract prepayment amount fulfilled the conditions for recognition during the Period and transferred to revenue, resulting in reduction in tax for items pending for settlement.
- (12) It was mainly due to a subsidiary's adjustment of the debt structure by replacing short-term loans with long-term loans during the Period.
- (13) It was mainly due to the increase in lease contracts signed during the Period and the increase in amount payable under lease.
- (14) It was mainly due to the completion of cancellation of repurchased shares.
- (15) It was mainly due to fluctuations of exchange rates resulting in changes in the differences arising from the translation of the financial statements in foreign currency.

Asset-liability ratio

The asset-liability ratios of the Group as at 30 June 2022 and 31 December 2021 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 36.03% as at 31 December 2021 to 39.02% as at 30 June 2022.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL POSITION *(continued)*

6. Material Changes in Consolidated Income Statement Items

Item	Amount for the Period	Amount for the Previous Period	Unit: RMB
			Period-to-period change
Finance expenses	-95,511,146.51	-25,013,781.78	-281.83% ⁽¹⁾
Gains from changes in fair value	-88,778,045.12	34,795,898.95	-355.14% ⁽²⁾
Credit impairment loss	-3,438,379.56	-8,579,230.48	59.92% ⁽³⁾
Gains from disposal of assets	-510,518.91	317,121.46	-260.99% ⁽⁴⁾
Other comprehensive income after taxation	33,075,827.89	-147,548,852.00	122.42% ⁽⁵⁾

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

- (1) It was mainly due to interest income from deposits during the Period increased when compared with the Previous Period.
- (2) It was mainly due to fluctuations in the market value of securities investment held.
- (3) It was mainly due to recovery of receivables with longer age during the Period and reversed the provisions for expected credit losses made in the Previous Period.
- (4) It was mainly due to losses incurred on disposal of fixed assets during the Period.
- (5) It was mainly due to the disposal of other equity instrument investments during the Previous Period resulting in the transfer of other comprehensive income recognized in the previous period to retained earnings.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL POSITION *(continued)*

7. Material Changes in Consolidated Cash Flow Items

Item	Amount for the Period	Unit: RMB	
		Amount for the Previous Period	Period-to-period change
Net cash flow from operating activities	1,426,385,813.18	674,910,992.08	111.34% ⁽¹⁾
Subtotal of cash inflow from investing activities	70,579,257.96	178,534,495.83	-60.47% ⁽²⁾
Subtotal of cash outflow from investing activities	633,232,128.79	1,229,752,741.51	-48.51% ⁽³⁾
Net cash flow from investing activities	-562,652,870.83	-1,051,218,245.68	46.48% ⁽⁴⁾
Subtotal of cash inflow from financing activities	2,543,792,303.35	1,912,145,884.90	33.03% ⁽⁵⁾
Effect of changes in foreign exchange rates on cash and cash equivalents	64,098,771.69	-22,054,962.00	390.63% ⁽⁶⁾
Net increase in cash and cash equivalents	70,402,813.09	-1,368,650,781.52	105.14% ⁽⁷⁾

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

- (1) It was mainly due to the combined effect of an increase in sales receipts and a decrease in payment of marketing promotion expenses during the Period.
- (2) It was mainly due to the recovery of investment amount in the Previous Period.
- (3) It was mainly due to the payment of consideration for acquisition of equity interest in Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) in the Previous Period.
- (4) It was mainly due to the payment of consideration for acquisition of equity interest in Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) in the Previous Period.
- (5) It was mainly due to new loans during the Period.
- (6) It was mainly due to changes in foreign exchange rates resulting in an increase in exchange gains from foreign currency funds held.
- (7) It was mainly due to the increase in cash generated from ordinary operating activities of the Company and the decrease in external investment during the Period when compared with the Previous Period.

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

VI. ANALYSIS OF FINANCIAL POSITION *(continued)*

8. 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.

9. Liquidity and Financial Resources

As at 30 June 2022, the Group's monetary funds amounted to RMB9,232.85 million (31 December 2021: RMB9,146.37 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 RMB25,525.00 million and the actual amount of credit applied to the banks for use amounted to RMB4,264.00 million.

Unit: RMB

Item	End of the Period (30 June 2022)			End of the Previous Year (31 December 2021)		
	Amount in foreign currency	Translation rate	Amount in RMB	Amount in foreign currency	Translation rate	Amount in RMB
Cash on hand:	–	–	159,141.68	–	–	194,319.63
–RMB	–	–	143,371.34	–	–	178,450.45
–USD	700.00	6.7114	4,697.98	700.00	6.3757	4,462.99
–Euro	1,579.87	7.0084	11,072.36	1,579.87	7.2197	11,406.19
Bank deposits:	–	–	9,135,908,635.26	–	–	9,002,550,448.00
–RMB	–	–	8,251,077,345.23	–	–	8,049,009,679.75
–HKD	5,697,147.26	0.85519	4,872,143.36	3,689,174.59	0.8176	3,016,269.14
–USD	129,702,207.12	6.7114	870,483,392.86	148,446,729.16	6.3757	946,451,811.10
–Japanese Yen	97,062,652.00	0.049136	4,769,270.46	43,429,022.00	0.055415	2,406,619.26
–Euro	75,451.07	7.0084	528,791.28	75,451.09	7.2197	544,734.23
–MOP	5,036,397.92	0.8295	4,177,692.07	1,412,971.92	0.7936	1,121,334.52
Interest receivables on bank deposits	–	–	36,177,013.85	–	–	19,969,652.77
Other monetary funds:	–	–	96,783,003.08	–	–	143,628,687.38
RMB	–	–	1,895,157.24	–	–	2,134,278.90
HKD	4,410,571.09	0.85519	3,771,876.29	67,295,920.52	0.8176	55,021,144.62
USD	13,576,298.47	6.7114	91,115,969.55	13,562,944.28	6.3757	86,473,263.86
Total	–	–	9,232,850,780.02	–	–	9,146,373,455.01

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL POSITION *(continued)*

9. Liquidity and Financial Resources *(continued)*

As at 30 June 2022, the balance of the Group's borrowings amounted to RMB3,271.50 million (31 December 2021: RMB2,679.83 million), accounting for 14.26% of total assets (31 December 2021: 11.98%), of which the balance of short-term loans due within one year amounted to RMB1,607.78 million (31 December 2021: RMB2,043.05 million), accounting for 7.01% of the total assets (31 December 2021: 9.13%) and the balance of long-term loans due over one year amounted to RMB1,663.73 million (31 December 2021: RMB636.78 million), accounting for 7.25% of the total assets (31 December 2021: 2.85%). During the Reporting Period, the Group's repayment of bank borrowings amounted to RMB1,933.80 million. There was no distinct seasonal demand for each of the above borrowings.

10. Capital Structure

The Group's capital comprises Shareholders' equity and liabilities. As at 30 June 2022, Shareholders' equity amounted to RMB13,986.83 million, total liabilities amounted to RMB8,950.90 million and total assets amounted to RMB22,937.73 million. In particular, the Group's current liabilities amounted to RMB6,751.51 million (31 December 2021: RMB6,925.07 million), representing a decrease of 2.51% as compared with that at the End of the Previous Year; total non-current liabilities amounted to RMB2,199.39 million (31 December 2021: RMB1,135.82 million), representing an increase of 93.64% as compared with that at the End of the Previous Year. During the Reporting Period, repayment of debt amounted to RMB1,933.80 million (Repayment of debt in the Previous Period was RMB722.58 million).

As at the End of the Reporting Period, equity attributable to Shareholders of the Company amounted to RMB12,866.92 million (31 December 2021: RMB13,003.76 million), representing a decrease of 1.05% as compared with that at the End of the Previous Year. Minority interests amounted to RMB1,119.91 million (31 December 2021: RMB1,307.26 million), representing a decrease of 14.33% as compared with that at the End of the Previous Year.

11. Capital Commitments

Capital commitments contracted but not recognized in the financial statements	Balance at the End of the Period	Unit: RMB
		Balance at the Beginning of the Period
Commitments for purchase and construction of long-term assets	463,719,335.87	569,039,017.10
Commitments for external investment	8,000,000.00	8,000,000.00
Commitments for R&D	264,463,619.59	309,313,880.64
Total	736,182,955.46	886,352,897.74

12. Interest Rate

As at 30 June 2022, the aggregate interest-bearing bank and other borrowings amounted to RMB3,263.73 million (31 December 2021: RMB2,677.08 million). The interest rate structure: RMB1,525.87 million bore interest at a floating interest rate and RMB1,737.86 million bore interest at a fixed annualized interest rate of 3.16% per annum.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL POSITION *(continued)*

13. Maturity Analysis of Outstanding Liabilities

	30 June 2022	Unit: RMB in millions 31 December 2021
Within one year	2,774.09	3,069.67
1-2 years	—	—
2-5 years	1,663.73	636.78
Over 5 years	—	—
Total	4,437.82	3,706.45

14. Gearing Ratio

The gearing ratios as at 30 June 2022 and 31 December 2021 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 25.90% as at 31 December 2021 to 31.73% as at 30 June 2022.

15. Interest Expenses and Capitalisation

	Period	Unit: RMB Previous Period
Interest expenses ^(Note)	47,426,938.27	36,051,011.53
Capitalised interest	—	—
Total interest expenses	47,426,938.27	36,051,011.53

Note: Interest expenses are mainly due to bank borrowings.

16. Foreign Exchange Risks

Details of foreign exchange risks of the Group are set out in "Note VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS" to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises 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

VI. ANALYSIS OF FINANCIAL POSITION *(continued)*

17. Contingent Liabilities

As at 30 June 2022, the Group had no significant contingent liabilities.

18. Pledge of Assets

As at 30 June 2022, the assets of the Company subject to pledge were as follows:

	30 June 2022 (RMB)	Reason for being subject to restriction
Assets pledged:		
Bills receivable	264,118,889.89	Pledged bills receivable for the bill pool business
Other monetary funds	960,984.96	Deposits for letters of guarantee and other businesses
Total	265,079,874.85	

Note: On 23 April 2018, the thirteenth meeting of the ninth session of the Board of the Company reviewed and passed the "Resolution on Conducting Bills Pooling Business" and agreed that an amount of up to RMB1.4 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 2022, the amount of bills receivable pledged by the Group to the banks amounted to RMB264.1189 million.

19. Employees, Remuneration, Pension Scheme and Training

As at 30 June 2022, the Group had 8,693 (31 December 2021: 8,580) 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 RMB844.02 million (Payment in the Previous Period was RMB834.02 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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL POSITION *(continued)*

19. Employees, Remuneration, Pension Scheme and Training *(continued)*

As at the date of this report, the Company continued to strengthen its management in talent development and training. In talent development, we mainly conducted interviews with our employees to effectively understand their needs and coordinated the improvement of relevant issues reasonably; identified and discovered outstanding talents within the Company, and promptly provided promotion opportunities to realize their potentials for development together with the Company. In respect of training, activities were carried out in various forms such as online courses, offline workshops and team building activities. To enhance the activity of employees, the Company from time to time organized new employees to participate in team building activities, building a platform for them to fully understand and know each other and enabling them to experience the corporate culture of "happy life and happy work." For cultivation of outstanding young talents, we organized offline leadership courses such as project management, innovative practice, strategic planning and execution, role positioning of managers and enhancement of skills according to the needs of talents, and provided online courses for talents, fully reflecting the importance placed by the Company on young talents. Meanwhile, activities such as talent show, badminton tournament and basketball competition were added to the induction training for fresh graduates; branches of the business school organized diversified activities, such as Qinglan Class and training camp for management trainees; the Company also provided on-the-job further studies for employees to obtain master (or doctoral) degree, continuing education for professional and technical personnel, application of professional titles and organizing the participation in training classes of various universities in a unified manner. From the perspective of corporate development, comprehensive improvements were made to the training system and contents to provide employees with a comprehensive, complete and compliant learning platform, so as to enhance the professionalism and capabilities of the Company's employees, and build an excellent team able to fight and win enduring battles for Livzon.

20. Investments

Overall relocation and expansion project of Sichuan Guangda

On 6 March 2019, after review and approval by the Board of the Company, the Company entered into the "Investment Agreement for the Overall Relocation and Expansion Project of Sichuan Guangda Pharmaceutical Manufacturing" (《四川光大製藥整體搬遷調遷擴建項目投資協議書》) (the "Investment Agreement") and the Supplemental Agreement I with Sichuan Chengdu Pengzhou Municipal People's Government (四川省成都市彭州市人民政府). Pursuant to the Investment Agreement, the Company will inject capital of RMB646.00 million for investment in construction of the overall relocation and expansion project (the "Project") of Sichuan Guangda, a wholly-owned subsidiary of the Company. Pursuant to the Supplemental Agreement I, Pengzhou Municipal People's Government has agreed to pay a compensation for demolition of RMB90.00 million and grant total incentive of not more than RMB125.80 million for the construction of new plant to the Company.

As at 30 June 2022, the total investment of the specific contracts entered into for the Project amounted to RMB477.4202 million, and the sum of subsidies received from government authorities at various levels amounted to RMB137.1799 million, the construction works for the warehousing system and the QC main body were completed, the construction works for the main body of the extraction workshop and the pre-treatment workshop were implemented, and the foundation construction works for the granulation workshop, the comprehensive preparation workshop and the packaging workshop were implemented, and the overall Project was smooth in progress.

Save as disclosed in this Report, 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 2021 Annual Report of the Company.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT

1. Overall Particulars

☒ Applicable ☐ Not applicable

Amount of investment for the Period (RMB)	Amount of investment for the Previous Period (RMB)	Period-to-period change
30,000,065.77	795,650,000.00	-96.23%

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)
Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd. (江蘇新元素醫藥科技有限公司)	Principally engaged in research and development of human and veterinary drugs, pesticide, health care products and chemical products, product technology transfer, technical consultation and project cooperation.	Capital increase	30,000,000.00	7.4858%	Internal funds	N/A	Long-term	-	Capital injection completed	-	-850,773.32	No	N/A	N/A
LIVZON BIOLOGICS (MALAYSIA) SDN. BHD.	All businesses of manufacturers, producers, importers, exporters, buyers, sellers, distribution agents and distributors for patented, drugs, pharmaceutical, nutritional, nutraceutical, medicine and vaccine products, and general business of all commonly used items, compounds, and substances related thereto.	New establishment	65.77	55.13%	Internal funds	N/A	Long-term	-	Capital injection not completed	-	-	No	N/A	N/A
Total	-	-	30,000,065.77	-	-	-	-	-	-	-	-850,773.32	-	-	-

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

3. Ongoing Material Non-equity Investments During the Reporting Period

☐ Applicable ☒ Not applicable

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT *(continued)*

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	Carrying amount at the Beginning of the Period	Gains or losses arising from changes in fair value for the Period	Accumulated change in fair value included in equity	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
Share	00135	Kunlun Energy	4,243,647.64	Measured at fair value	5,976,656.00	-477,784.30	-	-	-	-266,844.22	5,498,871.70	Financial assets measured at fair value through profit or loss for current period	Self-owned funds
Fund	206001	Penghua Fund	150,000.00	Measured at fair value	940,162.94	13,515.95	-	-	-	13,515.95	953,678.89	Self-owned funds	Self-owned funds
Share	000963	Huadong Medicine	39,851.86	Measured at fair value	13,250,402.40	1,634,875.52	-	-	-	1,730,463.00	14,885,277.92	Self-owned funds	Self-owned funds
Share	BEAM(US)	Beam Therapeutics, Inc.	34,209,846.54	Measured at fair value	157,094,794.65	-78,675,945.40	-	-	-	-78,675,945.40	78,418,849.25	Self-owned funds	Self-owned funds
Other securities investment held at the End of the Period			-	-	-	-	-	-	-	-	-	-	-
Total			38,643,346.04	-	177,262,015.99	-77,505,338.23	-	-	-	-77,198,810.67	99,756,677.76	-	-
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

VII. 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)	6,068.44	2021-9-2	2022-3-31	6,067.71	-	5,963.92	-	-	-	351.37
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	9,087.28	2021-10-11	2022-3-31	9,166.57	-	9,015.13	-	-	-	153.57
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	12,831.39	2021-11-1	2022-5-9	12,954.71	-	11,519.12	-	1,342.28	0.10%	111.95
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	13,098.01	2021-12-2	2022-6-30	13,281.71	-	4,941.96	-	-	-	-15.08
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	15,918.32	2022-1-5	2022-7-26	-	15,918.32	16,082.06	-	228.94	0.02%	-291.26
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	5,532.48	2022-2-10	2022-7-29	-	5,532.48	5,009.13	-	1,725.50	0.13%	-167.43
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	16,218.48	2022-3-1	2022-9-30	-	16,218.48	10,969.02	-	4,314.78	0.34%	-488.32
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	10,745.22	2022-4-6	2022-11-18	-	10,745.22	3,165.60	-	5,033.56	0.39%	-114.43
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	5,596.00	2022-5-6	2022-11-30	-	5,596.00	486.36	-	4,020.34	0.31%	1.87
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	7,696.36	2022-6-6	2022-12-23	-	7,696.36	-	-	6,158.67	0.48%	-
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	14,528.73	2022-4-21	2022-8-4	-	14,528.73	13,780.09	-	1,192.05	0.09%	382.34
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	925.07	2022-5-10	2022-12-15	-	925.07	357.97	-	532.36	0.04%	-9.23
Total				118,245.78	-	-	41,470.70	77,160.66	81,290.36	-	24,548.48	1.90%	-84.65

Source of funds for investment in derivatives

Self-financing

Litigation involved (if applicable)

Not applicable

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

29 March 2022

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

Not applicable

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

4. Investment in Financial Assets (continued)

(2) Information on investment in derivatives (continued)

													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
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	at the End of 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. 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.										
Change in market price or fair value of the derivatives invested during the Reporting Period (specific method, related assumptions and parameters used in the analysis of the fair value of derivatives shall be disclosed)				Gains or losses arising from changes in fair value of the forward foreign exchange contracts, option contracts and commodity futures contracts during the Reporting Period were RMB-11.2727 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

VII. 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 accumulated amount of proceeds used	Total amount of proceeds with change in use during the Reporting Period	Total accumulated amount of proceeds with change in use	Percentage of total accumulated amount of proceeds with change in use	Total amount of proceeds unused	Uses and whereabouts of unused proceeds	Amount of proceeds idle for more than 2 years
2016	Non-public issuance	142,030.04	7,071.39	133,869.69	–	68,735.86	48.40%	21,069.82	Unused proceeds are still deposited in the special account for raised funds or under cash management, and will continue to be used in projects invested with proceeds	–

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

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 RMB1,457.8200 million, and after deduction of issuance expenses of RMB37.5196 million, the amount of RMB1,420.3004 million was transferred 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 passed by the resolutions of the Board of the Company. As at 30 June 2022, unused proceeds were still deposited in the special account for raised funds, and which will continue to be used in projects invested with proceeds.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

5. Use of Proceeds (continued)

(2) Particulars of committed projects with proceeds

✓ Applicable ☐ Not applicable

Unit: RMB'000

Committed investment projects and the use of excess funds	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	3,895.21	22,671.19	76.69%	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" (對麗珠单抗增資投資建設"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. Technology 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	252.43	No	No
5. Construction project for research & development platform for prolonged-action microsphere technology (長效微球技術研發平台建設項目)	Yes	30,182.00	41,141.33	3,176.18	39,972.51	97.16%	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	7,071.39	133,869.69	-	-	252.43	-	-
Use of excess proceeds										
Repayment of bank loans (if any)	-	-	-	-	-	-	-	-	-	-
Replenishment of working capital (if any)	-	-	-	-	-	-	-	-	-	-
Subtotal of the use of excess proceeds	-	-	-	-	-	-	-	-	-	-
Total	-	142,030.04	142,030.04	7,071.39	133,869.69	-	-	252.43	-	-

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

5. Use of Proceeds (continued)

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

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 and the use of excess funds									
Particulars of and reasons for not meeting the scheduled progress or expected income (by specific project)	<p>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): 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 llaprazole Sodium for Injection (注射用艾普拉唑鈉) and llaprazole 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 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. The annual investment amounts for the next five years are expected to be RMB101.9240 million, RMB46.6760 million, RMB19.00 million, RMB20.00 million and RMB20.6790 million, respectively. As the amount of proceeds invested during 2020 was RMB4.2823 million, being lower than the expectation, the Board of the Company considered and approved the "Resolution on Adjustment to Investment Plan for Projects Invested with Proceeds" 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, RMB16.00 million and RMB13.3967 million, respectively.</p> <p>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 Shengji Fuzheng Injection (參扶正注射液) (bag infusion) did not achieve the expected income level.</p>								
Particulars of significant change in feasibility of the project	Not applicable								
Amount, uses and progress of utilization of excess proceeds	Not applicable								
Change of location for implementation of investment project with proceeds	<p>On 11 December 2020, the Resolution on Adjustment to the Implementation Site and Investment Plan of a Sub-project under Certain Project Invested with Proceeds (關於調整部分募集資金投資項目子項目實施地點及投資計劃的議案) was considered and approved at the 2020 fifth extraordinary general meeting of the Company, pursuant to which it was agreed that the implementation location 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 llaprazole 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, Linzon Industrial Park, No. 38 Chuangye North Road, Jinwan District, Zhuhai City to Level 1, P06 Building, Linzon Industrial Park, No. 38 Chuangye North Road, Jinwan District, Zhuhai City, with the construction period remained unchanged of two years. However, due to the adjustment to the construction location and the corresponding postponement of the construction cycle, it was expected that the latest time for the project to be available for its intended would be 31 December 2022.</p>								
Adjustment to implementation method for investment project with proceeds	<p>1. Addition of an implementing entity of the project invested with proceeds</p> <p>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 llaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)".</p> <p>On 19 September 2017, the Resolution on Alteration to the Projects Invested with Proceeds from the Non-public Issuance of A Shares of the Company (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 terminating the preclinical project of "Risperidone Sustained-release Microspheres for Injection (1 month) (注射用利培酮緩釋微球(1個月))".</p> <p>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.</p>								

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

Preliminary investment and replacement for investment project with proceeds

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

5. Use of Proceeds (continued)

(3) Changes in projects funded with proceeds

✓ Applicable □ Not applicable

Unit: RMB0'000

Project after change	Corresponding originally committed project	Total amount of proceeds intended to be invested in the project after change (1)	Actual investment amount 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
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
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	252.43	No	No
Construction project for research & development platform for prolonged-action microsphere technologies (長效微球技術研發平台建設項目)	Increased capital injections in Livzon MAB for the construction of "Project for research & development and industrialization of therapeutic antibody-based drugs" (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目")	41,141.33	3,176.18	39,972.51	97.16%	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	3,895.21	22,671.19	76.69%	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	7,071.39	133,869.69	-	-	252.43	-	-

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

5. Use of Proceeds (continued)

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

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
Description on reasons for change, decision making process and information disclosure (for specific projects)	1.	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 operations 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 funds 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 originally planned amount of proceeds of RMB306,000,000.00 intended 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 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.							
		For details, please refer to the Company's announcement in the designated media (Announcement No. 2017-065 and 2017-083).							
		2. Construction Project for Research & Development Platform for Prolonged-action Microsphere Technologies (長效微球技術研發平台建設項目): Given that the Company had transferred the project "Leuporelin 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 "Leuporelin 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)". The remaining investment amount for the construction project of the workshop would be financed by the self-raised funds of the Company.							
		For details, please refer to the Company's announcement in the designated media (Announcement No. 2019-020 and 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 adjustment was 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 an 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 original investment amount for these three sub-projects in the amount of RMB64.00 million of proceeds would be used to invest in a 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 and 2020-120).							

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

5. Use of Proceeds (continued)

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

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
Particulars of and reasons for not meeting scheduled progress or expected income (by specific projects)	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 market 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 needs of future production and sales of Ilaprazole Sodium for injection (注射用艾普拉唑鈉), and 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 for the new additional 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 funds 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 location 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 location, 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 and 2020-120).							
	1.	Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目): On 25 May 2020, the 2019 annual general meeting of the Company considered and approved the "Resolution on Alteration to Certain Projects Invested with Proceeds and Adjustment to Investment Plan and Utilization of Part of Proceeds for Permanent Replenishment of Working Capital" (關於變更部分募集資金投資項目及調整投資計劃並將部分募集資金永久補充流動資金的議案), and agreed that the Company may alter the investment in part of the sub-projects under the "Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)" and adjust the investment plan. Upon completion of the alteration and adjustments, it is still required to invest RMB208.2790 million of the proceeds in this project, which is expected to be available for intended use by 31 December 2024. As the amount of proceeds invested during 2020 was RMB4.2823 million, being lower than the expectation, the Board of the Company considered and approved the "Resolution on Adjustment to Investment Plan for Projects Invested with Proceeds" on 22 March 2021, to adjust the investment plan for the Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目). Upon completion of the adjustments, it is still required to invest RMB203.9967 million of the proceeds in this project, which is expected to be available for intended use by 31 December 2024. The annual investment amounts for the next four years are expected to be RMB119.9240 million, RMB54.6760 million, RMB16.00 million and RMB13.3967 million, respectively.							
	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 adjustment of medical insurance catalogue, cost control and local adjuvant drugs, the sales generated from Shenqi Fuzheng Injection (參芪扶正注射液) (bag infusion) did not achieve the expected income level.							
Particulars of material change in feasibility of projects after change	Not applicable								

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VIII. DISPOSAL OF MATERIAL ASSETS AND EQUITY

1. Disposal of Material Assets

☐ Applicable ☒ Not applicable

2. Disposal of Material Equity

☐ Applicable ☒ Not applicable

IX. ANALYSIS OF MAJOR CONTROLLED AND INVESTED COMPANIES

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	4,073,987,609.92	2,415,429,604.33	2,399,380,228.74	821,300,011.73	716,465,988.29
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 Anti-viral Granules, Dexamethasone Oral Paste, etc.	149,000,000.00	1,385,083,967.84	1,114,482,417.77	152,559,722.62	24,048,133.77	21,143,999.90
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, Xueshuan Tong, etc.	61,561,014.73	769,322,893.32	352,498,232.52	172,956,209.03	35,578,473.62	29,668,818.13
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	Subsidiary	Principally engaged in production of biochemical and polypeptide APIs, major products include biochemical APIs such as Menotropin and Chorionic Gonadotropin.	87,328,900.00	1,554,707,727.02	855,404,301.77	1,014,986,463.84	356,734,423.92	305,618,770.94
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Subsidiary	Principally engaged in production and operation of chemical APIs, major products include Cefuroxime Sodium, Cefodizime Sodium, Ceftriaxone Sodium, etc.	128,280,000.00	1,660,737,972.77	826,337,383.29	665,858,396.71	220,001,275.74	185,588,005.57

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

IX. 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)*

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	3,815,292,945.15	1,655,985,611.28	1,241,943,916.72	419,839,085.49	292,110,192.56
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	Subsidiary	Principally engaged in production of antibiotics APIs, intermediate and drug preparation products and chemical raw materials for pharmaceutical production, major products include Colistin Sulfate, Vancomycin, Phenylalanine, etc.	USD41,700,000	1,645,891,175.20	782,977,555.73	585,792,653.21	314,391,981.70	266,880,410.24
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	Subsidiary	Principally engaged in production and sale of diagnostic reagents, major products include diagnostic reagent products such as Diagnostic Kit for IgM/IgG Antibody to Coronavirus (SARS-CoV-2) (Lateral Flow), Rapid Test for Mycoplasma Pneumoniae IgM Antibody (Lateral Flow) and Diagnostic Kit for Human Immunodeficiency Virus Antibody (ELISA), etc.	400,000,000.00	1,004,786,626.23	701,286,407.92	349,807,662.02	23,466,747.12	25,318,756.31
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Principally engaged in research, development and commercialization of biopharmaceutical products.	1,453,330,000.00	1,527,921,659.85	1,795,777.12	6,985,432.00	-225,421,627.18	-225,527,639.99

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

IX. 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
LIVZON BIOLOGICS (MALAYSIA) SDN. BHD.	New establishment	No material impact

3. Description of Major Controlled and Invested Company

☒ Applicable ☐ Not applicable

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

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

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

X. STRUCTURAL BODY CONTROLLED BY THE COMPANY

☐ Applicable ☒ Not applicable

XI. 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.

XII. OTHER SIGNIFICANT EVENTS

Save as disclosed herein, the Company had no significant investment, material acquisition or disposal involving any subsidiary or associated company, nor other significant event which is required to be disclosed during the Reporting Period.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XIII. PROSPECTS FOR FUTURE DEVELOPMENT

In the second half of 2022, the Group will always adhere to the mission of “prioritizing the quality of life of the patients” and the vision of “becoming a leading pharmaceutical enterprise within the industry”. Based on the unmet clinical needs, the Group will further strengthen its advantages on the innovative drug and high-barrier complex preparation platform, pay attention to cutting-edge technology, boost technological and management innovations, and enhance capabilities for promoting corporate sustainability comprehensively through digital and intelligent new technologies and new models, speed up adaptation to the new trend of changing market and economic environment, and perform social responsibilities actively. The Group will focus on the following aspects:

(1) Chemical drug preparations

In respect of innovative R&D, the Group will continue to pay attention to innovative drugs with outstanding clinical value and high-barrier complex drug preparations, establish a differentiated product pipeline layout, continuously strengthen and improve its independent R&D system, and continue to internally cultivate and externally attract high-end R&D talents. At the same time, the Group will integrate resources and optimize the R&D platform, continue to strengthen external cooperation, and optimize team building of the core products on which we have advantages by various forms including introduction of projects and joint development, and actively promote the internationalization process.

In respect of marketing, the Group will continue to focus on evidence marketing, co-marketing and service marketing. The key work deployments are as follows: (i) to promote the completion of the four rigid assessment indicators of core varieties, including indicators such as the development of key hospitals above Class II; (ii) in respect of the key tasks of promotion on core varieties, to strengthen and refine the expansion of Ilaprazole (艾普拉唑) in relevant departments, and improve the market layout of psychiatry products; (iii) to continue to cultivate, support, plan and expand products with potential, extend product life cycle, and promote sound development of product; (iv) to continue to build an internet digital marketing platform, establish platforms such as the special “Expert Talk”, and build a private traffic pool; (v) to follow up relevant policies such as national medical reform in real time, strengthen the clinical and pharmaco-economics research of products in the post-launch stage, and respond actively to the adjustment of medical insurance in 2022.

In respect of production, the Group will continue to promote the digitization and intelligence of equipment and production, and optimize the production process; continue to strengthen the quality management of the entire life cycle, optimize the quality management system, ensure the effective operation of the quality system and prevent the occurrence of material incidents of quality safety; through comprehensive and systematic risk control with refined management, guarantee the supply, stabilize the quality and consolidate the competitiveness of the products.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XIII. PROSPECTS FOR FUTURE DEVELOPMENT *(continued)*

(2) Biologics

In the second half of 2022, the key mission in the field of biologics of the Group will still be making rapid progress in R&D projects, and as more projects are entering the stage of applying for production, the enhancement of LivzonBio's quality system and the process of commercialization of products will be accelerated.

The key tasks of R&D projects comprise the following aspects: firstly, to focus on advancement of V-01's conditional market launch in the PRC, EUA (Emergency Use Authorization)/market launch at home and abroad and WHO EUL (Emergency Use Listing), and supply after market launch; secondly, to advance the preparatory work in relation to pre-launch approval such as on-site inspection of clinical trials of Tocilizumab Solution for Injection (托珠单抗注射液); thirdly, to continue to promote the clinical trials of core varieties such as Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody Injection (重组抗人IL-17A/F人源化单克隆抗体注射液) and Recombinant Human Follitropin Alfa Solution for Injection (重组人促卵泡激素注射液); fourthly, to promote the preclinical research of projects in pipeline and NKT cell therapy projects, focusing on the development of bispecific antibody technology platform and preclinical research; fifthly, in addition to continuously strengthening our own R&D, to introduce projects through licensed introduction or cooperative development in a timely manner, so as to further enrich the preclinical and clinical R&D pipelines in fields of vaccines, tumors and other fields with key features and to enhance the core competitiveness of the biopharmaceutical platform of the Group.

In respect of product marketing, the Group will prepare for the market promotions of Recombinant Human Choriogonadotropin alfa for Injection (注射用重组人绒毛膜促性腺激素), a marketed product, and improve the post-launch adverse reaction monitoring and pharmacovigilance system.

In respect of production quality establishment, the Group will continue to reinforce the establishment of quality system for therapeutic biological products and vaccine workshop, with a focus on the production quality management, supply and compliance management guarantee of V-01.

(3) APIs and intermediates

In the second half of 2022, in respect of marketing of APIs, the Group will continue to put more efforts to explore the markets of high-end antibiotic APIs, high-end pet APIs and other products on which we have advantages, and seize the exchange rate opportunity to focus on the overall increase in overseas markets, striving to achieve a double harvest of annual sales volume and profit margin. Meanwhile, the pet preparation products of the Company are expected to be approved for launch in domestic market in the second half of 2022. With the continuous expansion of the professional sales team, the pet preparation products are expected to provide new increments for the Group in the future.

In the second half of 2022, the API business department of the Company will continue to adhere to the guiding philosophy of "safeguarding product safety and environmental protection, ensuring quality, reducing costs and grabbing the market", and continue to improve safety, environmental protection, quality standards and requirements, keep on strengthening energy conservation and consumption reduction, production quality and marketing management, and focus on promoting the R&D of polypeptide products, high-end veterinary drugs and new fermentation products as well as the improvement of our existing products. We will further improve the overall profitability and industrial competitiveness of our APIs, and establish a high-end API industry platform with comprehensive competitiveness.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XIII. PROSPECTS FOR FUTURE DEVELOPMENT *(continued)*

(4) Traditional Chinese medicine preparations

The traditional Chinese medicine (“TCM”) business will adhere to the guiding philosophy of “exploring the potential, improving quality and enhancing efficiency”, to achieve industrialization, modernization and digitization in the field of TCM.

The Group will continue to increase its academic marketing efforts in the field of TCM. On top of tumor, respiratory, pediatrics and other segments on which we have advantages, we will strengthen marketing efforts for disease categories on which TCM have treatment advantages, including urology, kidney, cardio cerebral vascular and Fuzheng (benefiting vital energy and strengthening physique), and will promote technological transformation and production resumption of varieties with potential, and accelerate the cultivation of large varieties and product portfolio.

In addition, the Group will continue to vigorously carry out the academic support and clinical data evidence research work of TCM products, and further strengthen the R&D planning and investment on new TCM with unique features and classic prescriptions. At the same time, we will speed up the establishment of a technical standard system and a grade evaluation system for production of high-class traditional Chinese medicinal materials, promote the research on key medicinal materials for core products and the construction of green ecological planting bases, and deploy the entire TCM industry chain from the multiple dimensions of planting, production and sales.

(5) Diagnostic reagents and equipment

In the second half of 2022, Livzon Diagnostics will continue to focus on advantageous areas including autoimmune diseases, respiratory diseases and infectious diseases, relying on key platforms including multiple, chemiluminescence and molecules, and will improve the number of customers and the customers’ recognition of products by point-to-face marketing based on key benchmarking customers, which in turn will promote the sales of the Group’s reagents.

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

In respect of production, Livzon Diagnostics will meet sales demand and ensure stable supply. Ensuring the supply and quality of the new products, it will continuously promote cost analysis and control, as well as upgrade of system, process and standardization. The technological standards of production process and quality control system will be enhanced persistently, and existing industrialized capabilities will be further developed and the product quality standard will be enhanced.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XIV. RISKS AND RESPONSE MEASURES

1. Risk of Changes in Industrial Policies

The pharmaceutical industry is significantly affected by changes in industrial policies. As China has been deepening reforms of the pharmaceutical and health systems, the relevant systems of policies and regulations are further amended and improved. For example, measures such as the enforcement and adjustment of the medical insurance catalogue, the continuous implementation of centralized bulk-buying and new guiding principles for R&D may have deep and lasting impact on the future development of the pharmaceutical industry, and may also have different levels of impact on the Group's R&D, production and sales. In early December 2021, the National Healthcare Security Administration ("NHSA") and the Ministry of Human Resources and Social Security issued the Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2021) (the "National Medical Insurance Catalogue (2021)" or the "Medical Insurance Catalogue"). Through this adjustment to the catalogue, the total number of drugs in the National Medical Insurance Catalogue (2021) is 2,860, including 1,486 western drugs, 1,374 Chinese patent drugs, and 892 traditional Chinese medicine tablets. On 13 June 2022, the NHSA issued the "2022 Work Plan of the Adjustment to the Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance" (the "Work Plan") and related documents for public comments, marking commencement of a new round of adjustment work for the National Medical Insurance Catalogue.

Response measures: In respect of adjustments to the Medical Insurance Catalogue, till now, a total of 187 products of the Group are included in the National Medical Insurance Catalogue (2021), including 92 drugs in the class A list and 95 drugs in the class B list. After the adjustments to the Medical Insurance Catalogue in 2021, the Group's product Ilaprazole Sodium for Injection (注射用艾普拉唑钠) continued to be included into the negotiation catalogue. After the product is included in the Medical Insurance Catalogue, the clinical value of the product would be increased, and more patients would be benefitted. As the coverage of this drug in hospitals with levels was low, a lower price would benefit more patients. The Company will continue to expand the hospital coverage and product sales and realize "lower the price in exchange for more quantity", so as to mitigate the impact of adjustments to prices of the medical insurance payment on the stable growth of the Company's results. In recent years, the adjustment work for the Medical Insurance Catalogue has been continuously improved and has entered the era of dynamic adjustment. On basis of continuing to support COVID-19 treatment drugs and innovative drugs, the new medical adjustment plan issued in June 2022 fully reflects the attention to treatment drugs for rare disease and drugs for children, and continues to "fill shortcomings, optimize structure, encourage innovation". The Company will pay close attention to changes in industrial policies and strengthen its capability in responding to environmental changes such as national policy orientations and industrial policies. In addition, the Company will continue to increase R&D investment and strive to improve R&D innovation capabilities to further promote the healthy and sustainable development of the enterprise.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XIV. RISKS AND RESPONSE MEASURES *(continued)*

2. Risk of Decline in the Prices of Products

After pharmaceutical products are approved and launched in the market, in addition to market competition, they are also affected by many factors in various aspects, including medical insurance, tenders, in particular industry policy of minimum procurement commitment, which have made pharmaceutical enterprises face pressure of price decline. Centralized bulk-buying refers to the process of tender or price negotiation in centralized purchase of drugs where the exact quantity to be purchased shall be specified, so that bidding price for specific amounts of drugs may be provided by enterprises. On 20 June 2022, the Shanghai Sunshine Medical Procurement All-In-One website issued the announcement on the National Centralized Drug Procurement Document (GY-YD2022-1). The seventh round of centralized drug purchase organized by the State was officially launched, with a total of 61 varieties. Price reduction was also realized in the national medical insurance negotiations. In 2021, NHSA conducted negotiations and successfully negotiated the inclusion of 67 exclusive drugs not in the Medical Insurance Catalogue, with an average price reduction of 61.71%. According to the work plan recently issued by the NHSA, a new round of medical insurance negotiations will be launched in China.

Response measures: For centralized bulk-buying, since most of the potential enterprises are willing to lower their prices in exchange for more quantity, therefore the price of drugs of the winning bidders may decrease significantly. However, since a certain procurement volume shall be specified to facilitate arrangements for production and sales, the unit production cost of drugs will be lowered through economies of scale, and less cross-regional marketing promotions will save selling expenses for enterprises. Therefore, if larger sales volume is awarded, the impact of lower price may be offset, which will have significant implications on strengthening the market position of the enterprise in the industry. Since the fifth round of centralized drug procurement, the focus of the varieties involved in the national centralized purchase has shifted from oral chemical drugs to the field of injections. The Company pays close attention to the dynamic progress of centralized bulk-buying. In this purchase varieties category, the Company's Omeprazole Sodium for Injection (注射用奥美拉唑钠) has participated in this centralized procurement bidding, whereas it has not been selected when results were announced in July 2022. The drug passed the consistency evaluation in June 2021. The sales revenue in 2021 was RMB2.2890 million, accounting for 0.014% of the Company's operating revenue in 2021, which was relatively small and was not expected to have a significant impact on the Company's operations. The Company will also continue to innovate, research and develop innovative drugs and high-barrier complex drug preparations required urgently in clinical application and with a certain amount of high added-value. Deeper exploration will be made on existing products with market potential and technical barriers. Reassessment of key drugs after their market launch and consistency evaluation of the relevant drugs will be promoted actively. Product composition will be continuously optimized, while active efforts will be made to explore and expand into the overseas markets. For adjustments to the Medical Insurance Catalogue, as Ilaprazole Sodium for Injection (注射用艾普拉唑钠), the patented new drug developed by the Company, continued to be included to the 2021 national medical insurance negotiation catalogue, its price drops from RMB156 per unit to RMB71 per unit. As the payment limit of Ilaprazole Sodium for Injection (注射用艾普拉唑钠) was cancelled in 2021 national medical insurance negotiation, more patients were benefitted as the suffix remarks of the Medical Insurance Catalogue were changed from "limited to patients diagnosed with diseases indicated in the insert sheets and subject to fasting or have dysphagia" to "Peptic Ulcer and Bleeding" as set out in the insert sheets. According to the official documents of NHSA, further negotiations on prices of drugs admitted to the hospitals shall not be allowed. Negotiation drugs shall not be subject to proportion and average costs, and physician shall give priority to use these drugs in their practices. Accordingly, despite its lower price, Ilaprazole Sodium for Injection (注射用艾普拉唑钠), based on its outstanding competitiveness, will continue to play an important role in clinical value. Following the inclusion into the Medical Insurance Catalogue, the hospital coverage of this drug is expected to be further expanded, which will benefit more patients. In response to the upcoming 2022 medical insurance negotiations, the Company will follow up the relevant policies of the national medical insurance in real time, strengthen the clinical and pharmaco-economics research of its products in the post-launch stage, and actively respond to the adjustment to the 2022 medical insurance catalogue.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XIV. RISKS AND RESPONSE MEASURES *(continued)*

3. Risk of R&D for New Drugs

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

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XIV. RISKS AND RESPONSE MEASURES *(continued)*

4. Effect of the Normalization of COVID-19 Pandemic

The COVID-19 pandemic significantly affected the operation of the overall economy. During the aggravation of the pandemic, as efforts of medical professionals were more focused on frontline work to prevent and control the pandemic, the consultation rate of patients with other diseases had declined and the standard prescriptions issued by hospitals had dropped in number. The production and operation of the Company was also affected to a certain extent. In March 2022, the outbreak of the pandemic occurred in Shanghai. In addition, some cities in Guangdong Province and Macau, which is adjacent to Zhuhai, also experienced sporadic pandemic. As at 30 June 2022, the overall pandemic situation in China remained stable. In the first half of 2022, the country has promoted the COVID-19 vaccination in an orderly manner. According to data from the official website of the National Health Commission, as at 30 June 2022, 31 provinces (including autonomous regions and municipalities) and the Xinjiang Production and Construction Corps throughout the country have reported that a total of 3,402.622 million doses of the COVID-19 vaccines have been administered.

Response measures: In response to sporadic outbreaks of the pandemic, the Company immediately responded to government needs, actively carried out the pandemic prevention and control work, strictly implemented relevant measures, coordinated pandemic prevention and control, production and operation work, and actively organized nucleic acid tests for employees. During the pandemic in Shanghai, as Shanghai Livzon, a subsidiary of the Company, made adequate preparations in advance and formulated a contingency plan for the prevention and control of the COVID-19 pandemic, made preparations for logistics distribution and channel reserve, and also launched the mechanism including "on-site + remote" working and employees in key production positions and other core positions staying at the company, therefore, the Company's overall operations were not significantly affected. Currently, Shanghai Livzon has fully resumed work and production, and its production has returned to normal. In the beginning of 2021, Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗) ("V-01") developed by LivzonBio was approved by the National Medical Products Administration for clinical trials. The R&D cycle of COVID-19 vaccines is expected to be affected by a number of uncertainties, including the development of COVID-19 pandemic across the globe and in particular, in countries where the clinical trials are conducting or will conduct. In addition, in light of the potential high investment in R&D of COVID-19 vaccines, as at the End of the Reporting Period, the R&D investment of the Group increased by 17.22% as compared to the Previous Year. In general, the Company was under normal operation during the Reporting Period, and the overall impact of the COVID-19 pandemic on its business was relatively slight. The extent of its subsequent impact will depend on the prevention and control of the pandemic on a global scale, the time of continuation, the prevention and control of the pandemic, and the responsive measures of enterprises. The Company will continue to pay attention to the development of the pandemic and any possible impact on the financial conditions and operating results of the Company, while adopting various measures at the same time to mitigate the adverse effect of the pandemic on corporate operations, to ensure that the production and operation activities are performed in a steady and orderly manner. Such measures include enhancing the operational management standard, controlling various types of operational risks, and promoting innovation and synergy. Facing the new changes in the global market layout brought by the COVID-19 pandemic, the Company will reinforce our export advantages in special APIs, establish an internet operation center to enhance the online promotions of some drug preparation products. Meanwhile, we will speed up the overseas clinical progress of COVID-19 vaccines, give full play to the global supply of the COVID-19 vaccines, and actively perform social responsibilities.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XIV. RISKS AND RESPONSE MEASURES *(continued)*

5. Risk of Fluctuations in the Supply and Prices of Raw Materials

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

Response measures: Firstly, the Company has already built its own GAP production base for some of the key categories of the raw materials of traditional Chinese medicinal materials. Secondly, the Company will strengthen market supervision and control and analysis, make rational arrangement for inventory and purchasing cycle to reduce risk. Furthermore, the Company will refine production subject to guarantee on quality and implement effective cost control measures. Facing the threat of COVID-19 pandemic, in view of the fact that 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, reproduction series products, endocrine products and psychiatric products, which are the Group's key drug preparation products, were either self-produced or supported by the entire industry chain within the Group, these raw materials were less affected by the COVID-19 pandemic. Despite the relatively significant increase in the price of certain raw materials for Anti-viral Granules (抗病毒顆粒), the impact on the cost of Anti-viral Granules (抗病毒顆粒) is under control since the Group has made strategic reserves of such raw materials and directly purchased such raw materials from suppliers of GAP bases. In addition, prices of raw materials for the Group's API segment has certain fluctuations as a result of the impact of COVID-19 pandemic and trading policies. However, with its strategic reserve procurement and futures hedging activities, the Company was able to control the cost of raw and auxiliary materials, our production operation was not affected much by the COVID-19 pandemic.

6. 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 requirements on production enterprises of APIs on environmental protection are becoming more stringent, and expenses of environmental protection have been increasing. Some pharmaceutical enterprises are even faced with the troubles of production suspension and restricted production.

Response measures: The Company will strictly comply with the national environmental protection policies and legal requirements, further increase investments and efforts in environmental protection, and continue reforming and upgrading environmental equipment. Meanwhile, training and education on safety will be conducted in a timely manner, and strict enterprise internal control standards will be set up, surveillance on major waste discharge units will be stepped up to attain the discharge and emission standards and strictly monitor the risks of environmental protection.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XV. REPURCHASE, SALE OR REDEMPTION OF SECURITIES

Repurchase of A Shares

During the Reporting Period, the Company had not repurchased A Shares.

Repurchase of H Shares

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

As at 9 May 2022, the Company made a total repurchase of 3,404,400 H Shares of the Company (the “Repurchased H Shares”) under the Second H Share Repurchase Mandate, accounting for 0.36% of the total issued share capital and 1.09% of the total issued H Shares of the Company as at 9 May 2022. The highest purchase price was HKD27.00 per share, while the lowest purchase price was HKD24.70 per share. The aggregate amount of funds used for the repurchase was HKD87,004,410.00 (excluding the transaction costs). The cancellation of the Repurchased H Shares was completed on 10 May 2022.

Save as disclosed above, throughout the period from 1 January 2022 to 30 June 2022, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the listed securities of the Company.

XVI. 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).

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

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.

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 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 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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

Historical events *(continued)*

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

On 27 March 2019, the Company convened the twenty-fifth meeting of the ninth session of the Board to consider and approve the "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 RMB198.455 million. Such resolution was considered and approved at the 2018 annual general meeting of the Company on 30 May 2019.

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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

Historical events *(continued)*

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 Body 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 body 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.

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 bodies shall remain unchanged. The production equipment originally purchased with the proceeds will continue to remain in the original construction site for use by other projects of the Company. To ensure the use of proceeds for designated purpose, the Company will apply its own funds in replacement of the proceeds of RMB7.4793 million used for cleaning and decorating the workshop and purchasing equipment. After the adjustment, the total investment in the Ilaprazole Project will remain to be RMB295.6272 million, and the investment amount in the Sub-project will remain to be RMB102.6000 million. Such resolution was considered and approved at the 2020 fifth extraordinary general meeting of the Company 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. Such resolution was considered and approved at the 2020 annual general meeting of the Company on 20 May 2021.

During the Reporting Period, the Company made no adjustments to the investment plan with proceeds.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES

1. The 2018 Share Options Incentive Scheme

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

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

Purpose of the scheme

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

Incentive participants, maximum entitlement, validity period of the scheme

The incentive participants of the 2018 Share Options Incentive Scheme include the Directors, senior management, mid-level management and relevant core personnel of the Company. The number of A Shares to be granted to any of the incentive participants under the fully effective 2018 Share Options Incentive Scheme shall not exceed 1% (i.e. 7,190,502.40 shares) of the total issued share capital of the Company as at the date of approval of the 2018 Share Options Incentive Scheme by the shareholders' general meeting. The validity period of the 2018 Share Options Incentive Scheme shall not be longer than 60 months commencing on the registration date of grant of the share options and ending on the date on which all the share options granted to the incentive participants have been exercised or otherwise cancelled.

Vesting period, exercise period and exercise date

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

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

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

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

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

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

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

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

Fair value and accounting policies of the share options

(1) Fair value

(i) First Grant

The Company selected the Black-Scholes Model to calculate the fair value of share 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 underlying share	RMB36.67 per share (the price on the date of grant)
Exercise price	RMB47.01 per share option
Validity period of share options	The validity periods of the three exercise periods of share options are 1 year, 2 years and 3 years, respectively
Risk-free interest rate	Risk-free interest rates of the three exercise periods of share options are 1.50%, 2.10% and 2.75%, respectively (listed based on one-year, two-year, three-year time deposit rate)
Volatility of underlying share	The volatility of the three exercise periods of share options are 19.85%, 17.40% and 24.84%, respectively (listed based on the historic volatility rate of the SZSE Composite Index in the latest one year, two years and three years)
Dividend yield of underlying share	The dividend yields for the three exercise periods of share options are 3.0670%, 1.9084% and 1.6662%, respectively (listed based on the average 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 value of the share options may be subjective and uncertain.

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

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

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

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

(1) Fair value *(continued)*

(ii) Reserved Grant

The Company selected the Black-Scholes Model to calculate the fair value of share options 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 underlying share	RMB28.72 per share (the price on the date of grant)
Exercise price	RMB28.87 per share option
Validity period of share options	The validity periods of the two exercise 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 and two-year time deposit rate)
Volatility of underlying share	The volatility of the two exercise periods of share options are 25.90% and 22.99%, respectively (listed based on the historical volatility rate of the SZSE Composite Index in the latest one year and two years)
Dividend yield of underlying share	The dividend yields for the two exercise periods of share options are 3.4642% and 3.2656%, respectively (listed based on the average dividend rate of the Company in the latest one year and two 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 value of the share options may be subjective and uncertain.

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

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

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

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

(2) Accounting policies

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

Revision of the scheme

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

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

First Grant

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

First Grant *(continued)*

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

First Grant *(continued)*

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

First Grant *(continued)*

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

Incentive participant	Position	Number of share options held as at 1 January 2022 <i>(0'000 share options)¹⁾⁽²⁾</i>	Number of share options exercised during the Period <i>(0'000 share options)</i>	Number of share options held as at 30 June 2022 <i>(0'000 share options)</i>	Number of share options cancelled during the Period <i>(0'000 share options)</i>	Number of share options lapsed during the Period <i>(0'000 share options)</i>
Mr. Tang Yanggang	Executive Director and President	6.0840	–	6.0840	–	–
Mr. Tao Desheng	Vice Chairman and Non-Executive Director	7.6050	–	7.6050	–	–
Mr. Xu Guoxiang	Vice Chairman, Executive Director and Vice President	7.6050	–	7.6050	–	–
Mr. Yang Daihong	Vice President	6.0840	–	6.0840	–	–
Ms. Si Yanxia	Vice President, Chief Financial Officer	6.0840	–	6.0840	–	–
Mr. Zhou Peng	Vice President	4.0560	–	4.0560	–	–
Ms. Huang Yuxuan	Vice President	3.5490	–	3.5490	–	–
Mr. Xu Peng	Vice President	3.0420	–	3.0420	–	–
Mr. Yang Liang	Vice President, Secretary to the Board and Company Secretary	3.5490	–	3.5490	–	–
Ms. Hou Xuemei	Mid-level management	3.0420	–	3.0420	–	–
Mid-level management and relevant core personnel of the Company (1,023 persons)		466.1509	28.3479	437.8030	–	–

Notes:

- (1) The grant date of the aforesaid share options is 11 September 2018, and the exercise price is RMB47.01 per A Share (the exercise price was adjusted to RMB36.16 per A Share on 28 August 2019). For details of the validity period and exercise period of the aforesaid share options, please refer to the relevant contents of "Incentive participants, maximum entitlement, validity period of the scheme" and "Vesting period, exercise period and exercise date" as set out above.
- (2) On 10 September 2018 (one day before the grant date), the closing price of the A Shares of the Company was RMB36.66 per share.
- (3) During the Reporting Period, the weighted average closing price of the A Share of the Company for all incentive participants in aggregate immediately preceding the exercise date under the First Grant was RMB37.61 per share.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

Reserved Grant

- (1) On 28 August 2019, the Company convened the thirty-first meeting of the ninth session of the Board to consider and approve:
 - (i) The adjustment of the number of share options under the Reserved Grant from 1.95 million to 2.5350 million, given that the Company has completed the issuance of 3 bonus shares for every 10 shares to shareholders by way of conversion of capital reserve into share capital on 26 July 2019;
 - (ii) With 28 August 2019 as the grant date of the Reserved Grant, granting 145 incentive participants a total of 2.5350 million share options (incentive participants are not required to pay any consideration to the Company when accepting the share options) with the exercise price of RMB28.87 per A share.
- (2) On 18 September 2019, the Company convened the thirty-second meeting of the ninth session of the Board to consider and approve the adjustment to the list of incentive participants under the Reserved Grant. The number of incentive participants under the Reserved Grant was adjusted from 145 to 170, with the total number of share options under the Reserved Grant remained unchanged, and a total of 2.5350 million share options were granted to 170 incentive participants;
- (3) On 28 October 2019, registration of the Reserved Grant was completed. The abbreviation of the share option: Livzon JLC2. The code of the share option: 037083. During the registration process of share options, one incentive participant no longer has the incentive qualification due to resignation, and two incentive participants voluntarily gave up the share options to be granted by the Company due to personal reasons. Therefore, the actual number of incentive participants under the Reserved Grant was adjusted from 170 to 167, and the actual number of share options under the Reserved Grant was adjusted from 2.5350 million to 2.5245 million.
- (4) On 23 October 2020, the Company convened the fourth meeting of the tenth session of the Board to consider and approve:
 - (i) Since 10 incentive participants under the Reserved Grant no longer satisfied the incentive conditions due to resignation on personal reasons, that the 309,900 share options held by the said 10 incentive participants which were granted but no longer satisfied the exercise conditions should be cancelled (the aforesaid cancellation was completed on 2 November 2020, the exercise price of such cancelled shares options was RMB28.87 per A Share). After the cancellation, the number of share options under the Reserved Grant was adjusted from 2,524,500 share options to 2,214,600 share options, and the number of incentive participants under the Reserved Grant was adjusted from 167 to 157.
 - (ii) That the 157 incentive participants who have met the exercise conditions may exercise 1,107,300 share options in the first exercise period at the exercise price of RMB28.87 per A Share, given that the exercise conditions for the first exercise period of the Reserved Grant have been fulfilled.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

Reserved Grant *(continued)*

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

Reserved Grant *(continued)*

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

Incentive participant	Number of share options held as at 1 January 2022 <i>(0'000 share options)⁽¹⁾⁽²⁾</i>	Number of share options exercised during the Period <i>(0'000 share options)</i>	Number of share options held as at 30 June 2022 <i>(0'000 share options)</i>	Number of share options cancelled during the Period <i>(0'000 share options)</i>	Number of share options lapsed during the Period <i>(0'000 share options)</i>
Mid-level management and core personnel of the Company (157 persons)	82.7556	21.3357	61.4199	–	–

Notes:

- (1) The grant date of the aforesaid share options was 28 August 2019, and the exercise price was RMB28.87 per share. For details of the validity period and exercise period of the aforesaid share options, please refer to the relevant contents in "Incentive participants, maximum entitlement, validity period of the scheme" and "Vesting period, exercise period and exercise date" as set out above.
- (2) On 27 August 2019 (one day before the grant date), the closing price of A Shares of the Company was RMB29.39 per share.
- (3) During the Reporting Period, the weighted average closing price of the A Share of the Company for all incentive participants in aggregate immediately preceding the exercise date under the Reserved Grant was RMB36.08 per share.

As at the End of the Reporting Period, the total number of ordinary A Shares of the Company that may be issued under the 2018 Share Options Incentive Scheme (Revised) was 5,499,229 shares, including 4,885,030 share options under the First Grant and 614,199 share options under the Reserved Grant, which in aggregate represented 0.59% of the total issued share capital of the Company as at the End of the Period.

During the Reporting Period, save as disclosed above, all share options granted under the First Grant and the Reserved Grant have not been exercised, cancelled or lapsed.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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).

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").

The holders of the Second Phase Ownership Scheme (the "Holders") include connected persons of the Company (the "Connected Holders"). The maximum share of subscription held by the Connected Holders (the "Maximum Share of Subscription") are 27,123,084 units, and the corresponding maximum subscription amount is RMB27,123,084. Pursuant to Chapter 17 of the Hong Kong Listing Rules, the Second Phase Ownership Scheme does not constitute a share option scheme, and is a discretionary scheme of the Company.

The grant of share of subscription by the Company to the Connected Holders constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio of the Maximum Share of Subscription is higher than 0.1% but lower than 5%, such grant of share of subscription by the Company to the Connected Holders is subject to the reporting and announcement requirements, but is exempted from the independent Shareholders' approval requirements under Chapter 14 A of the Hong Kong Listing Rules.

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

On 8 July 2022, in order to ensure the smooth implementation of the Second Phase Ownership Scheme, having comprehensively considered external factors and the actual conditions of the Company, the 2022 first extraordinary general meeting of the Company considered and approved the amendment to the Second Phase Ownership Scheme and its administrative measures, which would change from being managed by commissioning the asset management agency to being managed by the Company itself. As at the disclosure date of the Report, no shares have been purchased under the Second Phase Ownership Scheme.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVIII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE 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. The Ownership Scheme will help to optimise the compensation structure of the Company, promote the long-term stable development of the Company and enhance the overall value of the Company.

Participation principles and target participants

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

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

(continued)

Source of funds

Funds for participation of the Company's employees in the Second Phase Ownership Scheme come from the special fund (the "Special Fund") of the Second Phase Ownership Scheme set aside by the Company. There is no circumstance where the Company provides financial assistance to employees or provide guarantees for their loans, or where third parties provide incentives, grants and subsidies, and make up the balance to target participants. The total amount of funds to be held by the Second Phase Ownership Scheme is RMB64,965,470, all of which are the Special Fund set aside by the Company.

The 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 resolution on the Second Phase Ownership Scheme is reviewed and approved by the general meeting.

Number of shares

The aggregate number of shares to be held in the Second Phase Ownership Scheme shall not exceed 10% of the total current 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 current 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

XVIII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE 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.

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.

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 one of the following ways:
 - (i) continue to hold the Underlying Shares during the duration;
 - (ii) sell the Underlying Shares that are purchased by the Second Phase Ownership Scheme within the duration;
 - (iii) transfer the ownership of the Underlying Shares to the personal accounts of Holders of the Second Phase Ownership Scheme;
 - (iv) other ways as permitted by the laws, administrative regulations, rules or normative documents.

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XX. 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
2021 Annual General Meeting	Annual General Meeting	50.4765%	20 May 2022	21 May 2022	Consideration and approval of 12 resolutions including the Work Report of the Board for the Year 2021, the Work Report of the Supervisory Committee for the Year 2021, the 2021 Annual Report of Livzon Pharmaceutical Group Inc. (full text and summary), the 2021 Annual Profit Distribution Plan, the Grant of General Mandate to the Board to Repurchase H Shares of the Company and the Draft and Summary of the Second Phase Ownership Scheme under the Medium to Long-term Business Partner Share Ownership Scheme of the Company
2022 First Class Meeting of A Shareholders	Class Meeting	42.9719%			Consideration and approval of the Grant of General Mandate to the Board to Repurchase H Shares of the Company
2022 First Class Meeting of H Shareholders	Class Meeting	65.6144%			Consideration and approval of the Grant of General Mandate to the Board to Repurchase H Shares of the Company

2. Holders of Preferred Shares with Resumed Voting Rights Requesting to Hold Extraordinary General Meeting

☐ Applicable ☒ Not applicable

SECTION IV CORPORATE GOVERNANCE

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, the Guidelines for Standardised Operation of Companies Listed on the Main Board of the Shenzhen Stock Exchange, 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 2022 to 30 June 2022, the Company has strictly complied with the principles and the code provisions (the “Code Provisions”) in the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules.

3. Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 of the Hong Kong Listing Rules as its own Model Code regarding the securities transactions in the H Shares of the Company by the Company’s Directors, Supervisors and the “Relevant Employees” as defined in the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules. After making due and specific enquiries to all of the Directors and Supervisors of the Company, the Company was not aware of any information which has reasonably revealed that each of the Directors and Supervisors has not complied with the standards required by the above-mentioned code regarding securities transactions during the period from 1 January 2022 to 30 June 2022. 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 2022 to 30 June 2022. 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 tenth 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 2022 and agreed to submit the same to the Board for consideration.

Remuneration and Assessment Committee

The Remuneration and Assessment Committee under the tenth session of the Board is comprised of three independent non-executive Directors. The chairman of the committee is Mr. Tian Qiusheng and other committee members are 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, and 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.

Nomination Committee

The Nomination Committee under the tenth session of the Board is comprised of three Directors. The chairman of the committee is Mr. Luo Huiyuan (independent non-executive Director) and other committee members 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 code provision B.3.1 of the Corporate Governance Code as set out in Appendix 14 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.

SECTION IV CORPORATE GOVERNANCE

II. CORPORATE GOVERNANCE *(continued)*

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

Strategy Committee

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

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

☐ Applicable ☒ Not applicable

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. Tang Yanggang has been a member of Zhuhai Committee of Chinese People's Political Consultative Conference since June 2022. He ceased to be a member of Qingyuan Committee of Chinese People's Political Consultative Conference in June 2022.

Mr. Tian Qiusheng has been an independent director of Audiowell Electronics (Guangdong) Co., Ltd. (廣東奧迪威傳感科技股份有限公司) (Beijing Stock Exchange: 832491) since December 2019.

Mr. Luo Huiyuan has been an independent director of China TX IIOT Corporation Limited (華夏天信智能物聯股份有限公司) since December 2021. He ceased to be an independent director of Tibet Tianlu Co., Ltd. (西藏天路股份有限公司) (600326.SH) in January 2022.

Mr. Huang Huamin has been an arbitrator of Zhuhai Court of International Arbitration (珠海國際仲裁院) since January 2022.

SECTION IV CORPORATE GOVERNANCE

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 “XVII. SHARE OPTIONS INCENTIVE SCHEMES” and “XVIII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME” in Section III of the Report for details.

SECTION V 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 RMB4.6472 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 of the Company and other related parties.

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 increased by one controlling subsidiary, with details as follows:

Livzon HK, a controlling subsidiary of the Company, established LIVZON BIOLOGICS (MALAYSIA) SDN. BHD. in Malaysia on 12 January 2022 with a registered capital of 100 MYR, of which 100% was held by Livzon HK.

SECTION V MAJOR EVENTS

VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

The 2021 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 2022.

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.

IX. SUBSTANTIAL CONNECTED TRANSACTIONS DISCLOSED PURSUANT TO THE SHENZHEN LISTING RULES

1. Connected Transactions in the Ordinary Course of Business

☒ Applicable ☐ Not applicable

Connected party	Relationship with connected party	Type of connected transaction	Description of connected transaction	Pricing principle of connected transaction	Amount of connected transaction (RMB'000)	Proportion to transaction amount of the same category	Whether the approved amount is exceeded	Settlement method of connected transaction
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Raw materials	Determined by negotiation based on market price	857.59	0.64%	No	Settled through banks
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Raw materials	Determined by negotiation based on market price	7,792.80	5.79%	No	Settled through banks
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Purchase of goods	Finished products	Determined by negotiation based on market price	7.48	0.01%	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	Purchase of goods	Raw materials	Determined by negotiation based on market price	145.90	0.11%	No	Settled through banks
Jiangsu Yiyijia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	Company controlled by a Director of the Company	Purchase of goods	Finished products	Determined by negotiation based on market price	29.15	0.02%	No	Settled through banks

SECTION V MAJOR EVENTS

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

1. Connected Transactions in the Ordinary Course of Business *(continued)*

Connected party	Relationship with connected party	Type of connected transaction	Description of connected transaction	Pricing principle of connected transaction	Amount of connected transaction (RMB'000)	Proportion to transaction amount of the same category	Whether the approved amount is exceeded	Settlement method of connected transaction
Jiaozuo Jincare 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	1,504.88	10.20%	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	36.28	0.25%	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	Receipt of services	Modern services	Determined by negotiation based on market price	1.65	0.01%	No	Settled through banks
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	Company in which a Director of the Company serves as a director	Receipt of services	Business promotion	Determined by negotiation based on market price	87.18	0.59%	No	Settled through banks
Jiangsu Yiyongjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	Company controlled by a Director of the Company	Receipt of services	Business promotion	Determined by negotiation based on market price	7.72	0.05%	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	Receipt of services	Testing	Determined by negotiation based on market price	5.34	0.04%	No	Settled through banks
Guangzhou Jincare 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	48.11	0.33%	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	18.28	0.00%	No	Settled through banks
Jincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Sale of goods	Finished products	Determined by negotiation based on market price	6.87	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	Sale of goods	Finished products	Determined by negotiation based on market price	1,067.84	0.17%	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	Sale of goods	Finished products	Determined by negotiation based on market price	4.05	0.00%	No	Settled through banks
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Subsidiaries of a company in which a Director of the Company serves as a director	Sale of goods	Finished products	Determined by negotiation based on market price	195.56	0.03%	No	Settled through banks

SECTION V MAJOR EVENTS

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

1. Connected Transactions in the Ordinary Course of Business *(continued)*

Connected party	Relationship with connected party	Type of connected transaction	Description of connected transaction	Pricing principle of connected transaction	Amount of connected transaction (RMB'000)	Proportion to transaction amount of the same category	Whether the approved amount is exceeded	Settlement method of connected transaction
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Finished products	Determined by negotiation based on market price	19.89	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	0.40	0.00%	No	Settled through banks
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Provision of services	Processing, testing	Determined by negotiation based on market price	1.05	0.10%	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	Determined by negotiation based on market price	403.49	39.19%	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	Modern services	Determined by negotiation based on market price	7.37	0.72%	No	Settled through banks
Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Subsidiary of the controlling shareholder	Provision of services	Processing, testing	Determined by negotiation based on market price	31.97	3.11%	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	460.36	44.71%	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, testing	Determined by negotiation based on market price	19.03	1.85%	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, property services	Determined by negotiation based on market price	28.47	2.77%	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	111.31	33.45%	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	3.61%	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	0.58%	No	Settled through banks

SECTION V MAJOR EVENTS

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

1. Connected Transactions in the Ordinary Course of Business (continued)

Connected party	Relationship with connected party	Type of connected transaction	Description of connected transaction	Pricing principle of connected transaction	Amount of connected transaction (RMB'000)	Proportion to transaction amount of the same category	Whether the approved amount is exceeded	Settlement method of connected transaction
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	3.80%	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	1.25	0.38%	No	Settled through banks
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Leasing of assets as a lessee	Buildings	Determined by negotiation based on market price	38.98	2.25%	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	132.17	7.64%	No	Settled through banks
Total					13,099.00	-	-	-
Details of return of sales in large amount	Not applicable							
Estimated total amount of connected 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 connected transactions conducted by the Company in the ordinary course of business was RMB130.9900 million. Among which, the connected transactions conducted in the ordinary course of business with Joincare, the controlling shareholder, and its subsidiaries amounted to approximately RMB109.2469 million, representing 17.53% of the projected amount (RMB623.3000 million) approved by the general meeting of the Company and the Board; the connected transactions conducted in the ordinary course of business with Blue Treasure Pharma amounted to approximately RMB16.7410 million, representing 17.03% of the projected amount (RMB98.3000 million) approved by the Board of the Company; the connected transactions conducted in the ordinary course of business with Sanmed Biotech and Sanmed Gene amounted to RMB1.8060 million, representing 38.67% of the projected amount (RMB4.6700 million) approved by the Board of the Company; the connected 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 RMB1.9556 million, representing 19.48% of the projected amount (RMB10.0400 million) approved by the Board of the Company; the connected transactions conducted in the ordinary course of business with Shenzhen City Youbao Technology Co., Ltd. (深圳市有寶科技有限公司) amounted to RMB0.8718 million, representing 43.59% of the projected amount (RMB2.0000 million) approved by the operating management of the Company; and the connected transactions conducted in the ordinary course of business with Jiangsu Yiyang Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司) amounted to RMB0.3687 million, representing 46.09% of the projected amount (RMB0.8000 million) approved by the operating management of the Company. The above connected 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 Signing Framework Agreement on Continuing Connected Transactions for Three Years from 2020 to 2022 between Livzon Pharmaceutical Group Inc. and Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司) (Announcement No.: 2019-052), Announcement on Resolutions of 2019 Third Extraordinary General Meeting of Livzon Pharmaceutical Group Inc. (Announcement No.: 2019-073) and Announcement on Projected Daily Connected Transactions for 2022 of Livzon Pharmaceutical Group Inc. (Announcement No.: 2021-104) dated 17 August 2019, 16 October 2019 and 31 December 2021, respectively.

SECTION V MAJOR EVENTS

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

2. Connected Transactions Relating to Acquisition and Disposal of Assets or Equity

☐ Applicable ☒ Not applicable

3. Connected Transactions on Joint External Investment

☐ Applicable ☒ Not applicable

4. Credits and Debts with Connected Parties

☒ Applicable ☐ Not applicable

Non-operating credits and debts with connected parties

☐ Yes ☒ No

Credits due from connected parties

Connected party	Relationship with connected party	Reason for occurrence	Use of non-operating funds	Balance at the Beginning of the Period (RMB'000)	Amount increased during the Period (RMB'000)	Amount recovered during the Period (RMB'000)	Interest rate	Interest for the Period (RMB'000)	Balance at the End of the Period (RMB'000)
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	A company in which a Director of the Company serves as a director	Sale of finished goods, provision of services	No	2,565.40	1,726.87	3,601.56	-	-	690.71
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Subsidiary of the controlling shareholder	Sale of finished goods	No	73.50	-	73.50	-	-	-
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	A company in which a Director of the Company serves as a director	Sale of finished goods, leasing of assets as a lessor, etc	No	21.12	130.75	124.85	-	-	27.02
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Sale of finished goods, provision of services	No	145.61	455.66	149.57	-	-	451.70
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company serves as a director	Sale of finished goods, provision of services	No	22.93	49.10	61.54	-	-	10.49
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Subsidiaries of a company in which a Director of the Company serves as a director	Prepayment of products	No	33.74	202.83	179.39	-	-	57.18
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	A company in which a Director of the Company serves as a director	Prepayment of services	No	15.45	117.79	86.68	-	-	46.56
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	No	8.47	21.22	3.10	-	-	26.59

Effect of credits due from connected parties on the operating results and financial position of the Company

These credits mainly arose from the ordinary course of business of the Company. There is no significant effect on the operating results and financial position of the Company.

SECTION V MAJOR EVENTS

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

4. Credits and Debts with Connected Parties *(continued)*

Debts payable to connected parties

Connected party	Relationship with connected party	Reason for occurrence	Balance at the Beginning of the Period (RMB'000)	Amount increased during the Period (RMB'000)	Amount repaid during the Period (RMB'000)	Interest rate	Interest for the Period (RMB'000)	Balance at the End of the Period (RMB'000)
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Purchase of raw materials	2,465.48	971.24	2,895.04	–	–	541.68
Jiaozuo Jincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Purchase of raw materials	17,938.04	8,805.87	10,864.51	–	–	15,879.40
Jiaozuo Jincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Water, electricity and power	989.98	1,849.21	1,604.34	–	–	1,234.85
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱製藥有限公司)	Subsidiary of the controlling shareholder	Purchase of raw materials	4.00	–	4.00	–	–	–
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	A company in which a Director of the Company serves as a director	Purchase of raw materials	38.00	164.86	202.86	–	–	–
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Subsidiaries of a company in which a Director of the Company serves as a director	Receipt of services	0.89	4.73	–	–	–	5.62
Topsino Industries Limited (天誠實業有限公司)	Subsidiary of the controlling shareholder	Dividends payable	–	21,237.41	19,125.64	–	–	2,111.77

Effect of debts payable to connected parties on the operating results and financial position of the Company

These debts mainly arose from the ordinary course of business of the Company. There is no significant effect on the operating results and financial position of the Company.

5. Other Major Connected Transactions

☒ Applicable ☐ Not applicable

For details of other major connected 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 connected 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

SECTION V MAJOR EVENTS

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

Reference is made to the announcements (the “Announcements”) dated 4 December 2020 and 5 December 2020 and the circular (the “Circular”) dated 16 December 2020 of the Company published on the Company’s website, HKEXnews and Cninfo.

On 4 December 2020, in order to optimize the shareholding structures of the controlling subsidiary of the Company, Livzon Cayman, and its subsidiaries and to facilitate onshore and offshore financing for these companies, after consideration and approval by the Board, the Company, Livzon International, Joicare, Joicare BVI, YF Pharmab Limited and Livzon Cayman, LivzonBio, Livzon HK, Livzon MAB, Zhuhai Kadi Medical Biotechnology Inc. (珠海市卡迪生物醫藥有限公司) (“Kadi”) have jointly entered into the reorganization framework agreement, pursuant to which, each party has conditionally agreed to enter into a series of transactions to streamline and optimize the capital and shareholding structure (the “Reorganization”) of the Reorganization Group. The Reorganization comprises a number of transactions and arrangements, please refer to the Announcements and the Circular for details.

As of the End of the Reporting Period, the equity transfer of Kadi under the Reorganization has not been completed. Please refer to the 2021 Annual Report of the Company for other related details.

The grant of share of subscription of the Second Phase Ownership Scheme to the Connected Holders

Please refer to the relevant contents of “XVIII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME” in Section III of the Report for details of the grant of share of subscription of the Second Phase Ownership Scheme to the Connected Holders.

2. Continuing Connected Transactions

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 CONNECTED TRANSACTIONS DISCLOSED PURSUANT TO THE SHENZHEN LISTING RULES – 1. Connected Transactions in the Ordinary Course of Business” in the Section V of the Report for relevant information.

SECTION V 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 10% or above 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 10% or above 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 10% or above 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	Guaranteed amount	Actual date of event (signing date of agreement)	Actual guarantee amount	Type of guarantee	Security (if any)	Counter guarantee	Period of guarantee	Performance completed	Related party guarantee
-	-	-	-	-	-	-	-	-	-	-
Total amount of external guarantees 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 amount of external guarantees actually occurred at the End of the Reporting Period (A4)					-

SECTION V MAJOR EVENTS

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

2. Major Guarantees *(continued)*

(1) Guarantees *(continued)*

Credit facility guarantees *(continued)*

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 guarantee amount	Type of guarantee	Security (if any)	Counter guarantee	Period of guarantee	Performance completed	Related party guarantee
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2021.10.26	235,000.00	2021.9.30	138,472.60	Joint liability guarantee	Nil	Other shareholders of the guaranteed target have provided counter guarantee	2021.9.30-2025.06.19	No	No
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2022.3.29	17,000.00	2020.3.31	97.85	Joint liability guarantee	Nil	Nil	2020.3.31-2023.2.21	No	No
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2022.3.29	30,000.00	2021.8.4	113.54	Joint liability guarantee	Nil	Nil	2021.08.04-2024.03.22	No	No
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2022.3.29	20,000.00	2021.7.28	1,086.15	Joint liability guarantee	Nil	Nil	2021.7.28-2022.7.28	No	No
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2022.3.29	20,000.00	2020.3.30	3,619.35	Joint liability guarantee	Nil	Nil	2020.3.30-2023.2.21	No	No
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2022.3.29	20,000.00	2020.6.10	14,599.17	Joint liability guarantee	Nil	Nil	2017.8.22-2025.6.1	No	No
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2022.3.29	20,000.00	2021.7.28	175.00	Joint liability guarantee	Nil	Nil	2021.07.28-2022.07.28	No	No
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2022.3.29	10,000.00	2022.6.21	631.45	Joint liability guarantee	Nil	Nil	2022.6.1-2024.12.31	No	No
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2022.3.29	6,500.00	2020.6.10	1,914.18	Joint liability guarantee	Nil	Other shareholders of the guaranteed target have provided counter guarantee	2017.8.22-2025.6.1	No	No
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2022.3.29	10,000.00	2022.1.4	707.35	Joint liability guarantee	Nil		2022.1.1-2023.12.31	No	No
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2022.3.29	15,000.00	2020.6.30	3,072.70	Joint liability guarantee	Nil		2020.6.30-2023.2.28	No	No

SECTION V MAJOR EVENTS

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

2. Major Guarantees *(continued)*

(1) Guarantees *(continued)*

Credit facility guarantees *(continued)*

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 guarantee amount	Type of guarantee	Security (if any)	Counter guarantee	Period of guarantee	Performance completed	Related party guarantee
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2022.3.29	20,000.00	2020.6.10	12,897.01	Joint liability guarantee	Nil		2017.8.22-2025.6.1	No	No
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	2022.3.29	10,000.00	2020.6.10	6,169.95	Joint liability guarantee	Nil		2017.8.22-2025.6.1	No	No
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2022.3.29	5,000.00	2020.6.10	1,485.38	Joint liability guarantee	Nil	Nil	2017.8.22-2025.6.1	No	No
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2022.3.29	15,000.00	2020.6.10	12,499.33	Joint liability guarantee	Nil	Nil	2017.8.22-2025.6.1	No	No
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2022.3.29	15,000.00	2021.1.14	2,542.80	Joint liability guarantee	Nil	Nil	2021.1.14-2023.2.21	No	No
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	2022.3.29	20,000.00	2021.7.28	9,599.95	Joint liability guarantee	Nil	Nil	2021.7.28-2022.7.28	No	No
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	2022.3.29	5,000.00	2020.6.10	1,795.00	Joint liability guarantee	Nil	Nil	2017.8.22-2025.6.1	No	No
Total amount of guarantees to its subsidiaries approved during the Reporting Period (B1)				1,520,000.00	Total amount of guarantees to its subsidiaries actually occurred during the Reporting Period (B2)				221,947.82	
Total amount of guarantees to its subsidiaries approved at the End of the Reporting Period (B3)				1,520,000.00	Total amount of guarantees to its subsidiaries actually occurred at the End of the Reporting Period (B4)				211,478.75	

SECTION V MAJOR EVENTS

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

2. Major Guarantees *(continued)*

(1) Guarantees *(continued)*

Credit facility guarantees *(continued)*

Subsidiaries' Guarantees to Subsidiaries										
Name of guaranteed party	Disclosure date of announcement relating to guaranteed amount	Guaranteed amount	Actual date of event (signing date of agreement)	Actual guarantee amount	Type of guarantee	Security (if any)	Counter guarantee	Period of guarantee	Performance completed	Related party guarantee
-	-	-	-	-	-	-	-	-	-	-
Total amount of guarantees to subsidiaries approved during the Reporting Period (C1)				-	Total amount of guarantees to subsidiaries actually occurred during the Reporting Period (C2)				-	-
Total amount of guarantees to subsidiaries approved at the End of the Reporting Period (C3)				-	Total amount of guarantees to subsidiaries actually occurred at the End of the Reporting Period (C4)				-	-
Total Guaranteed Amount of the Company (Total of the Above Three Items)										
Total amount of guarantees approved during the Reporting Period (A1+B1+C1)				1,520,000.00	Total amount of guarantees actually occurred during the Reporting Period (A2+B2+C2)				221,947.82	-
Total amount of guarantees approved at the End of the Reporting Period (A3+B3+C3)				1,520,000.00	Total amount of guarantees actually occurred at the End of the Reporting Period (A4+B4+C4)				211,478.75	-
Total amount of guarantees actually occurred (i.e. A4+B4+C4) as a percentage of net assets of the Company									16.44%	-
Including:										
Amount of guarantee provided to Shareholders, de facto controllers and their related parties (D)									-	-
Amount of debt guarantee directly or indirectly provided to a guaranteed party with a gearing ratio exceeding 70% (E)									180,879.39	-
Portion of total guaranteed amount exceeding 50% of net assets (F)									-	-
Total guaranteed amount of the above three items (D+E+F)									180,879.39	-
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 V MAJOR EVENTS

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

2. Major Guarantees *(continued)*

(1) Guarantees *(continued)*

Pledge and guarantee of bills

The thirteenth meeting of the ninth session of the Board of the Company considered and approved the “Resolution on Conducting Bills Pooling Business” and agreed that an amount of up to RMB1.4 billion for 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 2022, 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
The Company	China Merchants Bank	22,282.32	Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	2,507.64	Until 13 December 2022
			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	4,460.92	Until 13 December 2022
			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	165.09	Until 14 March 2023
			Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	4,830.81	Until 24 December 2022
			Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Opening bank acceptance bills, joint liability guarantee	689.20	Until 9 December 2022
			Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	1,654.26	Until 20 December 2022
			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	830.65	Until 21 December 2022
			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	85.60	Until 17 November 2022
			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	646.44	Until 23 November 2022
			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)	Opening bank acceptance bills, joint liability guarantee	989.60	Until 24 August 2022
			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	2,495.00	Until 22 December 2022
			Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills	2,907.62	Until 21 September 2022
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	4,129.57	Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills	2,907.62	Until 21 September 2022

SECTION V 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 V MAJOR EVENTS

XII. SIGNIFICANT EVENTS OF SUBSIDIARIES OF THE COMPANY

✓ Applicable ☐ Not applicable

Proposed spin-off and proposed A share listing of Livzon Diagnostics on the ChiNext Board of the Shenzhen Stock Exchange

For details of proposed spin-off and proposed A share listing of Livzon Diagnostics on the ChiNext Board of the Shenzhen Stock Exchange, please refer to "XIX. PROPOSED SPIN-OFF AND PROPOSED A SHARE LISTING OF LIVZON DIAGNOSTICS ON THE CHINEXT BOARD OF THE SHENZHEN STOCK EXCHANGE" in Section III of the Report for relevant information.

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

For details of the connected transactions in relation to reorganization of shareholding structures of controlling subsidiaries, please refer to "X. CONNECTED TRANSACTIONS DEFINED PURSUANT TO THE HONG KONG LISTING RULES – 1. One-off Connected Transactions" in Section V of the Report for relevant information.

Launch of futures hedging activities by controlling subsidiaries

On 28 March 2022, the Board of the Company considered and approved the Resolution on the Launch of Futures Hedging Activities by Controlling Subsidiaries, and agreed that the controlling subsidiaries of the Company, namely, Xinbeijiang Pharma, Fuzhou Fuxing, Ningxia Pharma and Sichuan Guangda, 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.

SECTION V MAJOR EVENTS

XIII. PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

☐ Applicable ☒ Not applicable

XIV. DIVIDENDS AND BONUS SHARES

On 20 May 2022, the Company held the 2021 annual general meeting to consider and approve the distribution of cash dividend of RMB13.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2021 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized.

The distribution of the cash dividends for the Company's A Shares was completed on 31 May 2022, and the distribution of the cash dividends for the Company's H Shares was completed on 24 June 2022.

The Company has proposed to distribute neither interim dividends, nor bonus shares, for the six months ended 30 June 2022. During the six months ended 30 June 2021, 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 VI 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

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Fuzhou Fuxing	Chemical oxygen demand (COD)	Intermittent	1	The northwest side of the factory	14.53	100	7.27	124.5	Nil
	Ammonia nitrogen				0.23	15	0.12	18.7	Nil

Note: The discharge concentration represents the actual discharge concentration, and the standards implemented represent the standards for discharge to the environment by Jiangyin sewage treatment plant (江陰污水處理廠) (i.e. COD ≤ 100 mg/L, ammonia nitrogen ≤ 15 mg/L), and the agreed standard for discharge of COD and ammonia nitrogen from the company to Jiangyin sewage treatment plant shall be ≤ 500 mg/L and ≤ 60 mg/L respectively. The data was obtained from Fuqing Environmental Protection Bureau.

Construction and operation of pollution prevention & treatment facilities:

The company strictly complies with the “Three-Simultaneous” system of environmental protection by collecting and treating “Three Wastes (waste water, exhaust 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) + Air float”. After the wastewater from production has gone through the above treatment process, all indicators are stable and satisfy the discharge standard. After meeting the discharge standards, the wastewater is discharged to Jiangyin sewage treatment plant operated by Fujian Huadong Water Treatment Co., Ltd. (福建華東水務有限公司) via sewage pipe network at the industrial park area for further treatment. In 2022, the waste gas treatment facilities for Fenton pool and regulating pool have been added, and the waste gas was treated by secondary spraying.

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The “Environmental Impact Report on the Phase III High-end Antibiotics Project of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd.” was approved on 23 August 2021. The company strictly implements the “Three Simultaneous” system and takes environmental protection measures required for environmental assessment, with the environmental protection facilities under normal operation. Approval was granted for the application of a new national pollutant discharge license on 27 December 2017 and the renewal of the national pollutant discharge license was completed in December 2020. The company has been discharging pollutants in strict compliance with the licensing and administrative requirements. During the Reporting Period, the Environmental Impact Report for Phase IV High-end Antibiotic Project of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司) was being prepared.

SECTION VI 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 regulations 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 "Focusing on Prevention, Aiming at Self-help, Centralized Command, Division of Responsibility", for which filing application was accepted on 15 April 2022 (File No.: 350181-2022-024-M).

After environmental emergency incidents occur, immediate, quick, effective and orderly emergency rescue actions will be taken to control and prevent accidents and the spread of contamination, protect the surrounding environment effectively and ensure the personal life and property safety of all employees, the company and the nearby communities. In accordance with the contents and requirements of such plan, the company provides trainings and drills for its employees to get them well-prepared for environmental emergency incidents, so that rescue actions could be taken in a timely manner and incidents could be controlled effectively in a short period of time in case of any environmental emergency incidents. In May 2022, a comprehensive emergency drill for leakage accident in workshop 4 of the second phase was conducted.

Environmental self-monitoring program:

According to the relevant requirements of the "Measures for Self-Monitoring and Information Disclosure by Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation) (《國家重點監控企業自行監測及信息公開辦法(試行)》)" and the "Technical Guidelines for Self-Monitoring by Pollution Discharge Enterprises in the Fermentation Pharmaceutical Industry (HJ882-2017) (《排污單位自行監測技術指南發酵類製藥工業(HJ882-2017)》)", the company has completed the establishment of the self-monitoring program based on its own situation in a timely manner and made the program available to the public after being examined by and filed with Fuzhou Environment Protection Bureau and Fuzhou Environment Protection Bureau. The analysis methods of the monitoring program comply with the national environmental monitoring technical standards and methods; the monitoring and analysis instruments have been examined and calibrated in strict compliance with the relevant national requirements; the automated monitoring equipment has been installed in accordance with the requirement of environmental assessment technical standards, which are connected to relevant environmental protection authorities and have passed the inspection and acceptance of the relevant environmental protection authorities. The automated monitoring equipment has been functioning properly and the monitoring information is accurate, valid and authentic. In June 2022, the work on leakage detection and repair (LDAR) of volatile organic compounds (VOCs) for the first half of the year was completed. Information publicity website: <http://wryfb.fjemc.org.cn>

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(2) Xinbeijiang Pharma

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Xinbeijiang Pharma	Chemical oxygen demand	Intermittent	1	Sewage treatment workshop	78.5	240	31.71	Nil	Nil
	Ammonia nitrogen				2.7	70	1.10	Nil	Nil

Note: The discharge concentration represents the concentration of discharge into Qingyuan Henghe Sewage Treatment Plant (清遠橫荷污水處理廠), while the standard adopted for discharge represents the standard stipulated in the pollutant discharge license of the company, i.e. COD ≤ 240 mg/L, ammonia nitrogen ≤ 70 mg/L. The data was obtained from Qingyuan Environmental Protection Bureau.

Construction and operation of pollution preventive facilities:

The “Three Wastes” were collected and treated effectively in strict compliance with the “Three Simultaneous” system. The sewage treatment facilities with an investment amount of over RMB30 million have a designed processing capacity of 3,000t/d and adopt the treatment process of “Pre-treatment + Aerobic pool + Hydrolysis acidification tank + SBR + Catalytic oxidation + Air float”. In the first half of 2022, the third round of environmental protection improvement has been carried out, including replacing biological deodorization boxes of the sewage station, adding spray towers and reinstalling pretreatment waste gas collection pipeline to reduce the fugitive emission of waste gas, which has greatly eliminated the peculiar smell around the sewage station. Mufflers were installed at the air emission outlets of the sewage station and the second fermentation division to reduce the airflow sound of air emissions. Sound-absorbing cotton panels have been used to surround the circulating pump and steam compressor of the MVR, which have greatly reduced the noise transmitted by the MVR. Meanwhile, equipment with loud noises has been surrounded by sound-absorbing cotton panels to reduce noise and control the generation and transmission of noise from the source.

Environmental impact assessment of construction projects and status of other environmental protection administrative licensing:

The “Environmental Impact Report on Current Status of Projects of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (《麗珠集團新北江製藥股份有限公司項目現狀環境影響報告書》)” was approved and filed on 6 December 2016; with strict enforcement of the “Three Simultaneous” system and implementation of the environmental protection measures required under the environmental impact assessment, the environmental protection facilities have been functioning properly. On 29 December 2017, approval was granted for the application of a new national pollutant discharge license and the work for changing and renewing the pollutant discharge license was completed in December 2020. The environment protection policies were strictly enforced. On 28 April 2022, the application for the sewage discharge permit for the new plant in Shijiao was completed; on 16 June 2022, the environmental impact assessment of the newly added mixed and compound veterinary drugs in the new plant was completed, and the environmental impact assessment approval was obtained (Qingcheng Shen Pi Huan Biao [2022] No. 12).

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(2) Xinbeijiang Pharma *(continued)*

Environmental emergency contingency plan:

Based on the principles of "Focusing on Prevention, On-alert all the time; Management by Classification, Response by Tiers; Cooperation among Departments, Responsibility by Levels; Scientific Prevention and Efficient Disposal", Xinbeijiang Pharma entered into the issued "Environmental Emergency Contingency Plan of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (《麗珠集團新北江製藥股份有限公司突發環境事件應急預案》)" (File No.: 441802-2021-0162-H) again on 30 September 2021, which has been verified and filed by the Qingyuan Municipal Ecology and Environment Bureau on 22 October 2021. Xinbeijiang Pharma regularly identifies environmental factors and sources of hazards and conducts drills on the emergency contingency plan. The environmental emergency contingency drill was conducted in June 2022 to improve the operability thereof, enhance the performance level of the emergency rescue staff, responsiveness of the rescue team as well as coordination and collaboration of different tasks.

Environmental self-monitoring program:

According to the relevant requirements of the "Measures for Self-Monitoring and Information Disclosure by Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation) (《國家重點監控企業自行監測及信息公開辦法(試行)》)", the company has completed the establishment of the self-monitoring program based on its own situation in a timely manner and made the program available to the public after being examined by and filed with Qingyuan Environment Protection Bureau. The analysis methods of the monitoring program comply with the national environmental monitoring technical standards and methods; the monitoring and analysis instruments have been examined and calibrated in strict compliance with the relevant national requirements. The automated monitoring equipment for wastewater (COD, ammonia nitrogen, pH, flow) and waste gas (non-methane hydrocarbons) has been installed in accordance with the requirement of environmental assessment technical standards, and the connection between online information and national development platform and Qingyuan municipal platform has been completed. Online monitoring equipment for wastewater has passed the inspection and acceptance of relevant environmental protection authorities. The automated monitoring equipment has been functioning properly and the monitoring information is accurate, valid and authentic. In accordance with the requirements of the specification, a third party is hired to conduct LDAR every six months for workshops that use VOCs. Xinbeijiang Pharma conducts monitoring of diffusive volatile organic compounds around the workshop of the first refinery division on a semiannual basis, and the monitoring results for the first half of 2022 met the standards.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(3) Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)/(mg/m ³)	Pollutant discharge standards implemented (mg/L)/(mg/m ³)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	85.585	192	7.969	/	Nil
	Ammonia nitrogen (NH ₃ -N)				8.128	40	0.6748	/	Nil
	Sulphur dioxide	Organized	3	Boiler room	3	50	0.044	/	Nil
	Nitrogen oxides	continuous	3	Boiler room	74.85	150	1.2078	/	Nil
	Smoke and dust	emission	3	Boiler room	1.43	20	0.0187	/	Nil
	Hydrogen chloride		7	Workshop	2.29	100	0.7063	/	Nil
	Non-methane hydrocarbons		7	Workshop	11.41	60	3.790	77.76	Nil
	Non-methane hydrocarbons		1	RTO	5.25	60	0.2670		Nil
	Nitrogen oxides		1	RTO	30	200	1.8892	/	Nil
	Sulphur dioxide		1	RTO	3	200	0.1889	/	Nil

- Notes: 1. The discharge concentration of pollutants in wastewater represents the average concentration by online monitoring from the master discharge outlet by the company into South District Sewage Treatment Plant, while the standard adopted for discharge represents the standard stipulated in the pollutant discharge license of the company, i.e. COD ≤ 192 mg/L, ammonia nitrogen ≤ 40 mg/L.
2. The discharge concentration of pollutants in the air emission outlets represents the average concentration detected by a qualified third party engaged, of which the boiler exhaust adopted the Emission Standards for Boiler Air Pollutants in Guangdong Province (DB 44/765-2019) (《廣東省鍋爐大氣污染物排放標準》) (DB 44/765-2019), the air emissions of workshop and wastewater treatment station complied with the Air Pollutant Discharge Standards for Pharmaceutical Industry (《製藥工業大氣污染物排放標準》) (GB 37823-2019).

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. **The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department** *(continued)*
- (3) **Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)** *(continued)*

Construction and operation of pollution preventive facilities:

The "Three Wastes" were treated in a centralized and effective manner in strict compliance with the "Three Simultaneous" system and the maintenance and management of pollution preventive facilities were enhanced to ensure that pollutant discharge was stable and in compliance with the required standard. The treatment process of "pre-treatment of drainage from the production process + hydrolytic acidification + Upflow Anaerobic Sludge Bed (UASB) + advanced oxidation + Cyclic Activated Sludge System (CASS) process + air floatation/ozonation advanced treatment" was adopted. Treated sewage was discharged through the municipal sewage pipeline network into Zhuhai Leaguer Environmental Protection Co., Ltd. (珠海力合環保有限公司) (water purification plant in the South District).

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The Environmental Impact Assessment Report on Current Status of the Product Structure and Production Capacity Adjustment Project of Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《珠海保稅區麗珠合成製藥有限公司產品結構及產能調整項目現狀環境影響評價報告》) was approved in December 2016. In 2021, the environmental impact assessment 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 Livzon Synthetic Pharmaceutical Co., Ltd. in Zhuhai Free Trade Zone" (《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. 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 2021, it was awarded the green card enterprise of environmental credit rating by Zhuhai Municipal Ecology and Environment Bureau. In March 2022, the revision and filing of the emergency plan for environmental emergencies was completed.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(3) Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司) *(continued)*

Environmental emergency contingency plan:

Pursuant to relevant provisions and requirements, the Environmental Emergency Contingency Plan of Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《珠海保稅區麗珠合成製藥有限公司突發環境事件應急預案》) was prepared based on the principles of "Focus on Prevention, Aim at Self-rescue, Centralized Command, and Division of Responsibility (預防為主、自救為主、統一指揮、分工負責)", which has been approved for filing and formally announced with file reference number 440462-2019-001-M. Trainings on emergency events and disposal measures were held regularly for employees to enable implementation of safety measures in a timely, fast, effective and orderly manner to control and prevent the worsening of condition and pollution when encountering any occurrence of environmental emergency cases, so as to alleviate or eliminate the consequences effectively and resume orderly production as soon as possible.

Environmental self-monitoring program:

Through self-monitoring, the requirements under the Technical Standards for Application and Issuance of Pollutant Discharge License for the Pharmaceutical Industry – Active Pharmaceutical Ingredient Manufacturing (HJ858.1-2017) (《排污許可證申請與核發技術規範製藥工業—原料藥製造(HJ858.1-2017)》) were strictly implemented, and the verification and calibration of monitoring analyzing devices were carried out in strict compliance with relevant provisions. Automated monitoring equipment was installed according to the requirements of technical standards for environmental detection, while online monitoring equipment for COD, ammonia nitrogen and PH level and online monitoring equipment for non-methane hydrocarbons were installed and connected with the national development platform as required.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

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

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Chemical oxygen demand	Continuous	1	Southeastern part of the factory zone	46.55	120	6.209	108	Nil
	Ammonia nitrogen				9.93	35	1.27	31.5	Nil

Note: The discharge concentration represents the concentration of ultimate discharge into the environment, while the standard adopted for discharge represents the standard stipulated in the pollutant discharge license of the company, i.e. COD ≤ 120 mg/L, ammonia nitrogen ≤ 35 mg/L.

Construction and operation of pollution preventive facilities:

At the same time when the enterprise started production, the "Three Wastes" were collected and treated effectively in accordance with the requirements of the "Three Simultaneous" system of environmental protection. This involves a designed sewage treatment capacity of 1,200 t/d, adoption of the advanced "Anarobic-Oxic activated sludge process (A/O) + SBR + nitrogen removal by denitrification + Fenton decolorizing + air flotation" wastewater treatment process, 6,000 m³ of effective reservoir capacity of the treatment system and more than 20 sets of treatment equipment with 350 KW installed capacity to improve the water treatment process, thus ensuring that all wastewater treatment indicators are stable and satisfy the discharge standard. Treated sewage that reaches the grade II discharge standard is directly discharged into Minjiang River. The hazardous waste of the company are entrusted to qualified companies for compliant disposal according to the requirements of environmental impact assessment and acceptance inspection opinions.

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The company passed the environmental impact assessment on 30 June 1999 and the inspection and acceptance upon completion of construction carried out by Environmental Protection Bureau of Fujian Province on 5 June 2000. The company re-prepared its post-environmental impact assessment report in 2019 and passed the inspection and acceptance carried out by experts on 11 June 2019. The company strictly enforced the "Three Simultaneous" system and implemented the environmental protection measures as required under environmental impact assessment, with normal operation of the environmental protection facilities.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

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

Environmental emergency contingency plan:

Pursuant to relevant provisions and requirements, the Environmental Emergency Contingency Plan of Gutian Fuxing Pharmaceutical Co., Ltd. (《古田福興醫藥有限公司突發環境事件應急預案》) (File No.: 352200-2017-005-L) was prepared based on the principles of “Focus on Prevention, Aim at Self-rescue, Centralized Command and Division of Responsibility (預防為主、自救為主、統一指揮、分工負責)”, which was approved in May 2017. The second amendment of the contingency plan was made in June 2020, which passed expert review and completed filing (File No.: 350922-2020-002-M).

According to the plan, 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 the plan, the company provides trainings for its employees. The company is well-prepared for environmental emergency incidents, so that rescue actions could be taken in a timely manner and incidents could be controlled effectively in a short period of time in case of any environmental emergency incidents.

Environmental self-monitoring program:

According to the relevant requirements of the “Measures for Self-Monitoring and Information Disclosure by Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation) (《國家重點監控企業自行監測及信息公開辦法(試行)》)”, the company has completed the establishment of the self-monitoring program based on its own situation in a timely manner and made the program available to the public after being examined by and filed with Ningde Bureau of Ecology and Environment and Ningde Gutian Bureau of Ecology and Environment. The analysis methods of the monitoring program comply with the national environmental monitoring technical standards and methods; the monitoring and analysis instruments have been examined and calibrated in strict compliance with the relevant national requirements; the automated monitoring equipment has been installed in accordance with the requirements of environmental assessment technical standards, connected to the network of competent environmental protection authorities and passed the acceptance inspection conducted by the competent environmental protection authorities. The automated monitoring equipment was sound, and the monitoring information was accurate, valid and authentic. In June 2022, a qualified third party was engaged to complete the leakage detection and repair (LDAR) work of volatile organic compounds and a report was obtained. Information publicity website: <http://wryfb.fjemc.org.cn>

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(5) Limin Factory

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Limin Factory (麗珠集團利民製藥廠)	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	23.5	110	2.9	Nil	Nil
	Ammonia nitrogen				0.3892	15	0.05	Nil	Nil

Note: The wastewater of Limin Factory was discharged into Shaoguan Second Sewage Treatment Plant (韶關市第二污水處理廠) and the standard adopted for pollutant discharge represented the standard stipulated in the pollutant discharge license of the company, i.e. COD \leq 110mg/L, ammonia nitrogen \leq 15mg/L, while the data detected by third party inspection firm was adopted as the discharge concentration.

Construction and operation of pollution preventive facilities:

The "Three Simultaneous" system was strictly implemented by the company for the treatment of "Three Wastes" by collecting and treating the "Three Wastes" effectively. The original sewage treatment plant with an investment amount of over RMB13 million has a designed processing capacity of 1,500t/d and adopts the treatment process of "Pre-treatment + Hydrolysis acidification tank + Facultative tank + Aerobic pool + Secondary sedimentation", and the sewage after treatment was discharged through the municipal pipeline network into Shaoguan Second Sewage Treatment Plant (韶關市第二污水處理廠). In respect of waste gas treatment, biomass boilers were all replaced by gas boilers. The technical transformation project of the R&D center has installed waste gas treatment facilities such as activated carbon adsorption and acid mist spray tower. In respect of control of noise pollution, investment was made to construct noise segregation wall to reduce noise pollution.

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The Environmental Impact Report on the Technological Reform Project for the R&D Center of Livzon Group Limin Pharmaceutical Manufacturing Factory (《麗珠集團利民製藥廠研發中心技改項目環境影響報告表》) was approved on 6 December 2019. A review expert meeting was held on 24 April 2021, and independent review was completed. The Environmental Impact Report for Workshop II of Small-capacity Injection (《小容量注射劑二車間項目環境影響報告表》) was approved on 23 November 2020. On 15 September 2021, a review expert meeting was held, and independent review was completed. The National Sewage Permit was updated on 22 October 2021. The "Three Simultaneous" system was strictly enforced to implement the environmental protection measures required under the environmental impact assessment, with normal operation of the environmental protection facilities.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(5) Limin Factory *(continued)*

Environmental emergency contingency plan:

The principles of occupational health and safety and the environment administrative system were followed, including occupational protection to ensure health, risk control to ensure safety, prevention and control of pollution to protect the environment, and compliance with discipline and law for continuous improvement. Identification of environmental factors was performed seriously and preventive measures were adopted for significant environmental factors, while the governance of the "Three Wastes" was strengthened to enhance the ability of control over the "Three Wastes" and ensure that the discharge of the "Three Wastes" had reached the discharge standards. The Environmental Emergency Contingency Plan of Livzon Group Limin Pharmaceutical Manufacturing Factory (《麗珠集團利民製藥廠突發環境事件應急預案》) (File No.: 440203-2021-009-L) was prepared in accordance with the criteria of the environmental management system and the occupational health and safety administrative system. The plan was issued in May 2021. According to the contingency plan, an environmental accident emergency drill was conducted on 24 September 2021, and a specific drill summary was made. Identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on regular basis to improve the operability of the contingency plan, enhance the performance level of the emergency rescue staff, responsiveness of the rescue team as well as coordination and collaboration of different tasks.

Environmental self-monitoring program:

An entity with national qualification on inspection was engaged to conduct monitoring strictly in compliance with the relevant national laws and regulations and standards. By considering its own specific conditions, the company appointed the inspection party to carry out water pollutant detection monitoring every quarter, boiler waste gas monitoring every month and R&D Center VOCs waste gas monitoring every six months, each time the monitoring would be conducted strictly in compliance with the relevant national requirements to ensure the accuracy, validity and authenticity of the monitoring data. The installation and commissioning of online monitoring equipment for COD and ammonia nitrogen in water passed its review and put into operation in January 2021, and it will perform monitoring every 2 hours. Data should be completed and filed to the Pollutant Source Sharing Data Platform of the Shaoguan Municipal Ecology and Environment Bureau on a timely basis, and the relevant data would be announced to the public after being reviewed by the Shaoguan Municipal Ecology and Environment Bureau.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(6) Pharmaceutical Factory

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Pharmaceutical Factory	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	18.48	120	1.15	Nil	Nil
	Ammonia nitrogen		1	Wastewater treatment station	0.11	20	0.007	Nil	Nil

Note: The discharge concentration of pollutants in the wastewater discharge outlet represents the average concentration detected by a qualified third party engaged, by implementing the strictest of Schedule 2 Water Pollutant Discharge Concentration Limits for Newly-Built Enterprises (表2新建企業水污染物排放濃度限值) of the Emission Standard for Pharmaceutical Industrial Water Pollutants from Mixing and Formulation Category (《混裝製劑類製藥工業水污染物排放標準》) (GB 21908-2008), Schedule 2 Water Pollutant Discharge Concentration Limits for Newly-Built Enterprises (表2新建企業水污染物排放濃度限值) of Discharge Standards for Biopharmaceutical Industrial Wastewater (《生物工程類製藥工業水污染物排放標準》) (GB 21907-2008), or the level 1 of phase II standard of Guangdong Provincial Capping on Polluted Effluents Discharge (《廣東省水污染物排放限 值》) (DB 44/26-2001).

Construction and operation of pollution preventive facilities:

The “Three Simultaneous” system was strictly implemented by the company for the treatment of “Three Wastes” by collecting and treating the “Three Wastes” effectively. For wastewater: an investment of over RMB10 million was made for phase I and phase II sewage treatment station with a designed processing capacity of 1,000t/d, which adopted the CASS process for phase I and the A/O process for phase II, and the sewage after treatment was discharged through the municipal pipeline network into sewage treatment plants. For waste gas: currently, the company uses purchased steam and takes the boilers as backups, greatly reducing air emissions. The waste gas of the wastewater treatment stations is treated by a combination of first-level spray towers, Ultra Violet (UV) photoion equipment and second-level spray towers.

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The Environmental Impact Assessment Report on Expansion Project for Production Line of Recombinant Human Chorionic Gonadotropin for Injection of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠) was approved in March 2018; the Environmental Impact Assessment Report on Expansion Project for Sewage Treatment Stations of Livzon Group Livzon Pharmaceutical Factory was approved in April 2019; the Environmental Impact Assessment Report on Expansion Project for Production Line of lyophilized Powder Injection of Livzon Group Livzon Pharmaceutical Factory was approved in November 2020. The Environmental Impact Report Form for the Newly-added Wet Granulation Line Project P07 of Livzon Group Livzon Pharmaceutical Factory was approved on 18 May 2022. The company updated the pollutant discharge permit in June 2022. The company will strictly enforce the “Three-simultaneous” system to implement the environmental protection measures as required by environmental assessment.

Environmental emergency contingency plan:

Pursuant to relevant regulations and requirements, the Environmental Emergency Contingency Plan of Livzon Group Livzon Pharmaceutical Factory (《麗珠集團麗珠製藥廠突發環境事件應急預案》) was updated by the company in 2021, and has been approved for filing approval and announced, with the filing number 440404-2021-0212-L. The company conducted a fire emergency evacuation drill in the workshop P10 in April 2022 to enhance emergency response capabilities of staff, so as to alleviate or eliminate the consequences effectively.

SECTION VI 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 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.

(7) Ningxia Pharma

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)/(mg/m ³)	Pollutant discharge standards implemented (mg/L)/(mg/m ³)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Ningxia Pharma	Chemical oxygen demand	Continuous	1	Sewage treatment workshop on north side of factory zone	121	200	67.5	Nil	Nil
	Ammonia nitrogen				1.3	25	0.74	Nil	Nil
	Sulphur dioxide		1	Boiler workshop on north side of factory zone	53	200	19.61	156.816	Nil
	Nitrogen oxides				92	200	35.77	156.816	Nil
	Particulate matter				8	30	2.92	23.522	Nil
	Volatile organic compounds		9	4 outlets for fermentation, 3 outlets for refinery and 2 outlets for sewage	2.7	100	1.25	79.535	Nil

Notes: (1) The discharge concentration of wastewater represents the concentration of ultimate discharge to the environmental protection control center of Ningxia Xin'an Technology Co., Ltd. (寧夏新安科技有限公司) ("Xin'an Company"), the standard adopted for discharge was the standard stipulated in the pollutant discharge license of the company and the amount of discharge was calculated by the amount received by Xin'an Company. In respect of the total amount of approved discharge, since Ningxia Pharma adopted indirect discharge, the local government of Ningxia cancelled the limitation of total discharge of chemical oxygen demand and ammonia nitrogen of all indirect discharge enterprises, and the total amount index was directly allocated to sewage treatment plants in the pharmaceutical industrial park established by the government after the renewal of the pollution discharge license.

(2) The air emission concentration of boilers represents the self-monitoring average concentration throughout the year, the standard adopted for discharge was the standard stipulated in the pollutant discharge license of the company and the amount of discharge was calculated by the amount indicated by online monitoring. The concentration of volatile organic compounds represents the concentration of ultimate discharge to the environment (self-monitoring concentration), the adopted standard was the standard limits stipulated in Schedule I of the Air Pollutant Discharge Standards for Pharmaceutical Industry (《製藥工業大氣污染物排放標準》) (GB 37823-2019) and the amount of discharge was calculated by the amount of waste gas emissions and the discharge concentration recorded by the monitoring report.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

1. The Company and Its Subsidiaries Belonging to Key Pollutant Discharging Units as Announced by the Environmental Protection Department *(continued)*

(7) Ningxia Pharma *(continued)*

Construction and operation of pollution preventive facilities:

Through strict enforcement of the "Three Simultaneous" system, the "Three Wastes" were collected and treated effectively. The designed total processing capacity of sewage treatment was 7,500 m³/d (including one plant with capacity of 5,000 m³/d and one plant with capacity of 2,500 m³/d), and the actual total treatment amount was 3,100 m³/d. Treated sewage that reaches the standard stipulated in the pollutant discharge license is discharged to Xin'an Company through the sewage pipeline network in the industrial park. In 2021, the installation and use of waste gas collection and treatment facilities for hazardous waste stations were completed, and doramectin fermentation waste gas of fermentation workshop 101 was introduced into the specific waste gas treatment facilities for doramectin fermentation waste gas of fermentation workshop 102, and a primary sedimentation tank was added to the sewage treatment station to lead out waste gas for treatment. Since May 2022, the original waste gas treatment facilities of the fermentation workshop 103-2 have been upgraded and improved, mainly by adding a set of "sodium hypochlorite spray absorption + water spray absorption + dual-phase super oxygen water + micro-nano bubbles" process governance facilities. The upgrade and improvement was currently under construction and was expected to be completed and put into use in July 2022.

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The environmental protection inspection for completion of doramectin expansion project was completed in March 2021. In September 2021, expert review and government filing were completed for the environmental impact evaluation of project work upon optimized disposal of the company's solid waste. The company applied to change its pollutant discharge permit and passed the review of the Pingluo Branch of Shizuishan Municipal Ecology and Environment Bureau in December 2021. The company strictly enforced the "Three Simultaneous" system to implement the environmental protection measures as required by environmental assessment, and the environmental protection facilities were in normal operation.

Environmental emergency contingency plan:

The Environmental Emergency Contingency Plan of Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (《麗珠集團(寧夏)製藥有限公司突發環境事件應急預案》) was verified, filed and issued in May 2019 (File No.: 640221-2019-005-II). Identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on regular basis to improve the operability of the contingency plan, enhance the performance level of the emergency rescue staff, and enhance the integrated coordination and collaboration capabilities in relation to the responsiveness and coordination of the rescue team. The Environmental Emergency Contingency Plan was amended in May 2021, and was reviewed by experts and was reviewed by and filed with government environmental department in August 2021.

SECTION VI 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 self-monitoring program:

The company formulated the self-monitoring program for 2021, which was reviewed by and filed with the Ecological Environment Bureau of Shizuishan City. 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, and the leakage detection and repair (LDAR) work of volatile organic compounds was carried out. The monitoring results would be announced to the public through the System of National Pollution Sources Monitoring Information Management and Sharing Platform (《全國污染源監測信息管理與共享平台系統》) and the System of Self-monitoring Information Open Platform for Enterprises in Shizuishan (《石嘴山市企業自行監測信息公開平台系統》). The automated monitoring equipment was connected to the network of the competent environmental protection authority and passed the inspection conducted by 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 2021, the RTO exhaust VOCs online monitoring equipment was installed and put into use, and passed government inspection in August 2021. In the first half of 2022, monitoring has been carried out as required according to the monitoring program.

(8) Jiaozuo Hecheng

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Jiaozuo Hecheng	Chemical oxygen demand	Continuous	1	Master outlet in industrial wastewater workshop	94.201	220	3.97	60.8	Nil
	Ammonia nitrogen				3.24	35	0.138	8.8	Nil

Note: The discharge concentration and the total amount of discharge represent the concentration and total amount of ultimate discharge into the downstream sewage treatment plant, and the source is online monitoring data.

SECTION VI 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)*

Construction and operation of pollution preventive facilities:

The "Three Wastes" were collected and treated effectively in strict compliance with the "Three Simultaneous" system. The designed sewage treatment capacity was 3,000t/d, the treatment process of "hydrolytic acidification tank + UASB + aerobic pool + materialized treatment" was adopted, the treated wastewater would be discharged through the municipal pipeline network into the sewage treatment plant of Xiuwu Branch of Kangda Water Co., Ltd. (康達水務有限公司修武分公司). The sewage treatment facilities were under normal operation with compliant discharge. For waste gas: in 2021, the three-stage sewage spraying was replaced, and a set of waste gas treatment facilities was added in the UV photolysis sewage station. Waste gas would be discharged after standard was met. Waste gas generated from technical process in the production zone would be collected and treated by adopting two sets of processes of "water spray + activated carbon and -20℃ condensation + water spray + activated carbon" and then discharged after reaching the required standard. Solid waste and hazardous waste would be stored in the hazardous waste station constructed in compliance with the requirements of "Three Protections" (protection against leaks, erosion and rain) according to the requirements under the (Pilot) Guidelines for Standardized Management of Hazardous Waste in Henan Province (《河南省危險廢物規範化管理工作指南(試行)》) for hazardous waste. In January 2022, a self-monitoring and automatic monitoring equipment comparison contract was signed with Henan Zhongfang Quality Inspection Technology Co., Ltd. (河南中方質量檢測技術有限公司) to monitor the company's discharge outlets on a regular basis; in January 2022, an operation and maintenance contract in relation to online continuous monitoring system for water quality was signed with Jiaozuo Lansheng Environmental Technology Service Co., Ltd. (焦作市藍晟環保技術服務有限公司) to maintain the water quality by the company's online continuous monitoring system. In April 2022, the company entered into a hazardous waste disposal agreement with Henan Zhonghuanxin Environmental Technology Co., Ltd. (河南中環信環保科技有限公司) for disposal of hazardous waste on regular basis. Other general solid waste would be disposed of in compliance with the relevant requirements.

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The Environmental Impact Assessment Report on Current Status of Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《焦作麗珠合成製藥有限公司現狀環境影響評估報告》) was approved and filed on 15 December 2016, the "Three Simultaneous" system was strictly enforced, the environmental protection measures as required by environmental assessment were implemented and the environmental protection facilities were in normal operation. The application for the national pollutant discharge license was completed in December 2020, the environmental protection policies were strictly enforced and various management measures were implemented. According to the spirit of the Notice of the Office of the Leading Group of Pollution Prevention and Control Battle in Jiaozuo on Focusing on Air Pollution Prevention and Control in May 2022 (《焦作市污染防治攻堅戰領導小組辦公室關於做好2022年5月份大氣污染防治攻堅重點工作的通知》), the "one enterprise, one policy" plan for Jiaozuo Hecheng, a VOCs discharge enterprise, was formulated in 2022.

SECTION VI 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 emergency contingency plan:

The Environmental Emergency Contingency Plan of Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《焦作麗珠合成製藥有限公司突發環境事件應急預案》) was prepared in accordance with the relevant provisions and requirements and based on the principles of "Focusing on Prevention, On-alert all the time; Management by Classification, Response by Tiers, Cooperation among Departments, Responsibility by Levels; Scientific Prevention and Efficient Disposal". The contingency plan was approved for announcement and filing in April 2021 (File No.: 4108042018005L). The Hazardous Waste Environmental Pollution Emergency Contingency Plan of Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《焦作麗珠合成製藥有限公司危險廢物環境污染事故應急預案》) was compiled and was approved for filing in January 2018. Identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on regular basis to improve the operability of the contingency plan, enhance the performance level of the emergency rescue staff, and enhance the coordination and collaboration capabilities in relation to the responsiveness and coordination of the rescue team. The company carried out trainings on the Standard Operating Procedure for Acid Mist Purification Towers (《酸霧淨化塔標準操作規程》) and the Standard Operating Procedure for Hazardous Waste Storage Pollutants (《危險廢物貯存污染物操作規程》) in April 2021 and June 2021, respectively, according to the relevant requirements of the Hazardous Waste Environmental Pollution Emergency Contingency Plan of Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《焦作麗珠合成製藥有限公司危險廢物環境污染事故應急預案》). In November 2021, the Operation Regulations for Exhaust Gas UV Photolysis Equipment (《尾氣UV光解設備操作規程》) was added and the Spray Towers Operation Regulations (《噴淋塔操作規程》) was amended, and training was carried out on the Operation Regulations for Exhaust Gas UV Photolysis Equipment and the Spray Towers Operation Regulations to enhance the environmental protection knowledge of staff. In March 2022, the environmental protection documents such as the Enterprise Environmental Information Disclosure System (《企業環境信息公開制度》), the Sewage Discharge Permit System (《排污許可證制度》) and the Sewage Treatment Process Operation Regulations (《污水處理工藝操作規程》) were revised.

Environmental self-monitoring program:

According to the relevant requirements of the Measures for Self-Monitoring and Information Disclosure by the Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation) (《國家重點監控企業自行監測及信息公開辦法(試行)》), the company implemented and completed the self-monitoring program based on its own situation in a timely manner and made the program available to the public after being examined by and filed with relevant competent environmental protection authorities. The analysis methods of the monitoring program comply with the national environmental monitoring technical standards and methods. The monitoring and analysis instruments have been examined and calibrated in strict compliance with the relevant national requirements. The leakage detection and repair (LDAR) of volatile organic compounds was completed in June 2022. The inspection of equipment and facilities such as solvent pipes and flanges in the workshop was conducted and maintenance and rectification was carried out on the places where there was leakage. According to the requirements of environmental testing technical specifications, the company has installed online automatic sewage monitoring equipment, and also installed online monitoring equipment for COD, ammonia nitrogen, PH value, flow rate and total nitrogen, which were connected to the Guofa platform (國發平台) as required. The company carried out monitoring on a monthly and quarterly basis in strict compliance with the requirements of the self-testing scheme, which focused primarily on organized air emissions, wastewater, diffusive environmental air and noise at plant boundary.

SECTION VI 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

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)/(mg/m ³)	Pollutant discharge standards implemented (mg/L)/(mg/m ³)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Shanghai Livzon	Chemical oxygen demand	Intermittent	1	Master outlet in the park	42	500	1.12	Nil	Nil
	Ammonia nitrogen				5.35	40	0.12	Nil	Nil
	Particulate matter	Organized intermittent discharge	2	No. 5 and 6 outlets on the roof	–	–	–	–	Nil
	Volatile organic compounds				2.45	60	0.00255	2.145	Nil

Note: The discharge concentration was the average of monthly third-party monitoring data, and the amount of discharge was the cumulative sum of monthly discharge. The discharge of VOCs and particulate matter were in accordance with the Air Pollutant Discharge Standards for Pharmaceutical Industry (《製藥工業大氣污染物排放標準》) (GB 37823-2019), and the discharge of COD and Ammonia nitrogen were implemented in accordance with the comprehensive sewage discharge standard DB 31/199-2018. Shanghai Livzon was among other key pollutant discharge units, but not among the key pollutant discharge units of water environment and atmospheric environment.

Construction and operation of pollution preventive facilities:

The company designed and built a sewage treatment station with a processing capacity of 200 m³/d in 2018. The company's wastewater was treated by such sewage treatment station and then entered the park's sewage treatment station for secondary treatment, and finally discharged into the municipal pipeline network. The company had the hazardous waste station in compliance with the requirements of "Three Preventions" to store hazardous waste and appointed a qualified company for compliant disposal. The company's main discharge outlets were treated with activated carbon adsorption and filtration, and the activated carbon was replaced every half a year to ensure that the air emissions met the standards. In January 2022, the company demolished the solid preparation workshop on the third floor and transformed it into a microsphere workshop, and there is no particulate matter emission from the No. 5 and No.6 discharge outlets accordingly.

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The company passed the environmental assessment review of the Leuporelin Acetate Microspheres for Injection Industrialization Project (《注射用醋酸亮丙瑞林微球產業化項目》) on 11 October 2010, obtained the approval for the Environmental Impact Report on Supporting Engineering and Laboratory Projects of Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (《上海麗珠製藥有限公司配套工程及實驗室項目環境影響報告》) on 10 January 2020, and completed the construction and passed the acceptance inspection in September 2020. The Company strictly implements the "Three Simultaneous" system and take environmental protection measures required for environmental assessment, with the environmental protection facilities under normal operation.

SECTION VI 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 emergency contingency plan:

In March 2022, the Environmental Emergency Contingency Plan of Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (《上海麗珠製藥有限公司突發環境事件應急預案》) (File No.: 02-310115-2022-108-L) was filed by the company. The company conducts drills and reviews of the plan every year to improve its emergency response capabilities through regular training on the plan.

Environmental self-monitoring program:

In accordance with the relevant requirements of the General Rules for the Self-Monitoring Technical Guidelines for Pollutant Discharge Units (《排污單位自行監測技術指南總則》) (HJ 819-2017) and the pollutant discharge license, the company organized self-monitoring and information disclosure of the pollutants it has discharged, and formulated the self-monitoring program. In 2022, the company monitors main air emission outlets once a month, common discharge outlets once half a year, noise once every quarter and wastewater once a month. The monitoring items and frequency shall meet the requirements of the pollutant discharge license.

(10) Livzon MAB

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Livzon MAB	Chemical oxygen demand	Intermittent	1	Sewage treatment station	18.48	120	0.78	Nil	Nil
	Ammonia nitrogen		1	Sewage treatment station	0.11	20	0.005	Nil	Nil

Note: The discharge concentration of pollutants in the wastewater discharge outlet represents the average concentration detected by a qualified third party engaged, by implementing the strictest of Schedule 2 Water Pollutant Discharge Concentration Limits for Newly-Built Enterprises (表2新建企業水污染物排放濃度限值) of the Emission Standard for Pharmaceutical Industrial Water Pollutants from Mixing and Formulation Category (《混裝製劑類製藥工業水污染物排放標準》) (GB 21908-2008), Schedule 2 Water Pollutant Discharge Concentration Limits for Newly-Built Enterprises (表2新建企業水污染物排放濃度限值) of Discharge Standards for Biopharmaceutical Industrial Wastewater (《生物工程類製藥工業水污染物排放標準》) (GB 21907-2008), or the level 1 of phase II standard of Guangdong Provincial Capping on Polluted Effluents Discharge (《廣東省水污染物排放限值》) (DB 44/26-2001).

SECTION VI 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)*

Construction and operation of pollution preventive facilities:

The “Three Simultaneous” system was strictly implemented by the company for the treatment of “Three Wastes” by collecting and treating the “Three Wastes” effectively. For wastewater (relying on the wastewater treatment of Pharmaceutical Factory in the park): an investment of over RMB10 million was made for phase I and phase II sewage treatment station with designed processing capacity of 1,000t/d, which adopted the CASS process for phase I and the A/O process for phase II, and the sewage after treatment was discharged through the municipal pipeline network into sewage treatment plants. For waste gas: currently, the company uses purchased steam and takes the boilers as backups, greatly reducing air emissions. The waste gas of the wastewater treatment stations is treated by a combination of first-level spray towers, Ultra Violet (UV) photoion equipment and second-level spray towers.

Environmental impact assessment of construction projects and other environmental protection administrative licensing:

The Environmental Impact Assessment Report on the V01 Industrialization Project of Livzon Group Livzon Pharmaceutical Factory was approved in April 2021; the Environmental Impact Report Form for the Expansion Preparation Line 3 of the Large-scale Production Capacity Building Project of Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗) (V-01) was approved in March 2022. The company updated the pollutant discharge permit in March 2022. The company strictly enforced the “Three Simultaneous” system to implement the environmental protection measures as required by environmental assessment.

Environmental emergency contingency plan:

Pursuant to relevant regulations and requirements, the Environmental Emergency Contingency Plan of Livzon MAB (《麗珠單抗突發環境事件應急預案》) was prepared by the company in 2022. In June 2022, the company conducted an emergency drill for hazardous chemicals leakage in the hazardous goods warehouse to enhance emergency response capabilities of staff, so as to alleviate or eliminate the impact of the consequences.

Environmental self-monitoring program:

The company entrusted an agency with national testing qualifications to carry out monitoring in strict compliance with relevant national laws, regulations and standards. By considering its own specific conditions, the company entrusted the inspection party to carry out monitoring on wastewater and waste gas on a regular basis in accordance with the requirements of the implementation plan of the pollutant discharge permit, and each time the monitoring was conducted strictly in compliance with the relevant national requirements to ensure the accuracy, validity and authenticity of the monitoring data.

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

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

1. MAJOR ENVIRONMENTAL ISSUES *(continued)*

2. Administrative Penalties Imposed on the Company and Their Subsidiaries for Environmental Issues During the Reporting Period

☐ Applicable ☒ Not applicable

3. Measures Taken and Effects on Reducing Carbon Emissions During the Reporting Period

☒ Applicable ☐ Not applicable

Company name	Measures taken and effects on reducing carbon emissions during the Reporting Period by key pollutant discharge enterprises of the Group
Fuzhou Fuxing	Used photovoltaic power generation to reduce power consumption; renovated high-energy-consuming pumps for energy conservation to effectively reduce energy consumption; replaced with high-efficiency motor water pumps to save energy consumption; vigorously promoted energy conservation and consumption reduction, and called on employees to realize the concept of "turning off lights, air conditioners and computers before leaving office" during their daily work.
Xinbeijiang Pharma	Introduced photovoltaic power generation to reduce power consumption; used water kinetic energy instead of electric motors to drive the cooling tower fans to reduce the electric energy consumption while ensuring the cooling effect; pre-heated the soft water of the boiler by the heat generated from the operation of the air compressor to raise the temperature of the inlet water of the boiler and effectively reduce the consumption of natural gas; regularly cleaned the inner wall of the MVR equipment to increase the evaporation rate of sugar water of the MVR equipment by about 40%, hence effectively reducing the running time of the MVR equipment and greatly reducing electricity consumption; replaced old boilers of high energy consumption and high maintenance cost with new boilers. Accordingly, the average natural gas consumption reduced by 1.06 m ³ per tonne of steam generated.
Livzon Hecheng	Maintained and updated chiller units to make more rational use of energy and saved electricity consumption for production through more reasonable production scheduling by the production department; used natural gas as fuel for canteens and boilers; replaced sewage treatment Roots blowers in the environmental protection center with magnetic levitation blowers with an energy saving rate of about 30%, saving about 107,000 kWh of electricity consumption per year; called on all employees of the factory to respond to electricity conservation, turn off lights and air conditioners before leaving office, and limited the minimum temperature of air conditioners; promoted green travel, encouraged the use of public transportation when going out to work, and set up shuttle buses to transport employees to and from work.

SECTION VI 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 130m ³ /min to replace the original air compressor with high power consumption to reduce power consumption; replaced one chiller unit to reduce electricity consumption; called on all employees to "save every drop of water, save every kilowatt of electricity", so that the lights are turned off and the equipment is powered off before leaving office.
Limin Factory	Appropriately adjusted the temperature and humidity settings of the air conditioning system (within the standard range) in the solid workshop to keep it as close to the outside temperature and humidity as possible, thus reducing steam consumption; reduced energy consumption by controlling the number of running compressors in the air conditioning units and setting parameters by the Quality Control Department, and by implementing intermittent use mode for the bioassay lab; used hot tailwater from the water distiller in the production workshop to heat the boiler soft water, thus reducing the consumption of natural gas; renovated the air-conditioning ventilation system at the R&D Centre to save electricity.
Pharmaceutical Factory	Reduced electricity consumption by replacing incandescent lamps with LED lamps; refurbished photovoltaic inverter cabinets and roof-mounted photovoltaic modules, improving the photovoltaic power generation efficiency after refurbishment, saving about 600,000 kWh of electricity per year; introduced purchased steam to reduce boiler combustion and save energy; further strengthened the energy conservation management of functional departments, turned off lights during the lunch break, encouraged employees to turn off lights and computers to save electricity before leaving seats or office; set up shuttle buses to transport employees to and from work.
Ningxia Pharma	Renovated the phenylalanine concentration system and adopted MVR concentration to replace the original triple-effect concentration system, thus reducing energy consumption by about 50%. Regularly overhauled and maintained the boiler system to ensure the efficient operation of the boiler body and the desulfurization and dust removal facilities. Increased the consumption of steam from external supply to cut the use of coal and reduce carbon emissions.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

3. Measures Taken and Effects on Reducing Carbon Emissions During the Reporting Period *(continued)*

Company name	Measures taken and effects on reducing carbon emissions during the Reporting Period by key pollutant discharge enterprises of the Group
Jiaozuo Hecheng	Collected and reused steam condense to reduce steam consumption, so as to reduce carbon emissions; changed the packaging equipment to automatic packaging to improve production efficiency; vigorously promoted energy saving and consumption reduction internally, called on all employees to "save every drop of water, save every kilowatt of electricity", and uniformly managed the paint in the workshop to eliminate waste; installed additional mirrors behind the steam pipeline drainage valves to observe whether there is steam loss; led the steam condense to the production auxiliary system of the hot water tank and the crystallization tank to reduce the use of steam; changed the lighting in the common areas of the workshop, corridors, etc. to sound- or light-controlled switches and gradually replaced the workshop lighting with LED lights; gradually replaced high energy consuming equipment and facilities in workshops with low energy consuming or automated interlocking devices.
Shanghai Livzon	Further strengthened the daily energy-saving management according to the established energy-saving plan, effectively improved the energy-saving awareness of employees through inspection, publicity and other means, and cultivated good habit of saving water and electricity among employees; optimized the peptide splicing process, increased the peptide splicing yield by more than 10%, thus reducing the power consumption per unit of product; transformed the solid preparation workshop into the powder injection workshop which produces less waste and conserves electricity; while comfortable air conditioning unit (cooling) utilized the chilled water unit in the power room, the multi-expansion air conditioning unit was placed outdoors to use air cooling, saving cooling capacity and reducing energy consumption.
Livzon MAB	Introduced purchased steam to save energy. Effectively improved the energy-saving awareness of employees through inspection, publicity and other means, and cultivated good habit of saving water and electricity among employees; used LED lights to reduce electricity consumption, and encouraged employees to turn off lights and computers to save electricity before leaving office. Set up shuttle buses to transport employees to and from work.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

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 (黃芪) Industry Revitalization" and adopt the model of "Company + Base" and "Company + Professional Cooperative", encouraging locals to cultivate and process astragalus root and develop the astragalus root industry with reference to the local conditions to make it a pillar industry for poverty relief in the long-term. The Group will explore the development of the featured astragalus root industry to achieve poverty elimination and promote the construction of the "Chinese Medicine Ecological Base".

"Astragalus Root (黃芪) Industry Revitalization" has been in place since 2017. Datong Livzon Qiyuan Medicine Co., Ltd. (大同麗珠芪源藥材有限公司) ("Datong Livzon"), a subsidiary of the Company, has established its own planting bases in Hunyuan County of Datong City in Shanxi Province and Zizhou County of Yulin City in Shaanxi Province, respectively, and built astragalus root planting bases together with 12 cooperatives and 3 individuals in Tianzhen County of Datong City and Ying County of Shuozhou City in Shanxi Province and Yulin City of Shaanxi Province, covering an area of approximately 33,000 mu and supporting a total of 265 people, thereby effectively promoting the economic development of the corresponding areas in Datong, Shanxi and Yulin, Shaanxi.

During the Reporting Period, the self-built base in Hunyuan County of Datong City in Shanxi Province increased the planting area by 300 mu and employed 55 additional local workers. In addition, Datong Livzon launched the "Joint Construction by Village and Enterprise" project and built a new primary processing plant for astragalus root in Mazhuang Village in cooperation with the village committee of Mazhuang Village in Guan'er Township, Hunyuan County of Datong City in Shanxi Province.

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 Joicare Group have cooperated and launched the "Public Welfare Program for Prevention and Treatment of Chronic Diseases (普惠慢病防治公益項目)" by combining their own industrial advantages. The program mainly targets at common chronic diseases such as hypertension, hyperlipidemia, cardiovascular and cerebrovascular diseases, and donates treatment drugs to remote areas, including Pravastatin Capsules (普伐他汀鈉膠囊), Amlodipine Besylate Capsules (苯磺酸氨氯地平膠囊), Valsartan Capsules (纈沙坦膠囊), and Isosorbide Bononitrate Tablets (單硝酸異山梨酯片), etc. These drugs can really help families in remote areas, make it convenient for patients in the regions to take drugs nearby, help the families with patients to alleviate medical pressures, and provide timely assistance. Based on actual conditions, assistance was provided for families with patients in remote regions. The project also helps to promote local development of rural revitalization and contributes to the state strategic goal of common prosperity.

Since late 2018 onwards, with the support from local governments and the relevant competent authorities, the "Public Welfare Program for Prevention and Treatment of Chronic Diseases" was smoothly implemented successively in the areas including Chaotian District of Guangyuan City in Sichuan Province, Songpan County of Ngawa Tibetan and Qiang Autonomous Prefecture in Sichuan Province, Jiange County and Pingwu County in Sichuan Province, Hunyuan County, Guangling County and Lingqiu County of Datong City in Shanxi Province, Dongxiang County, Tianzhu County, Linze County and Shandan County in Gansu Province, Xianghai national nature reservation in Jilin Province, Chayu County in Tibet Autonomous Region, Macun District of Jiaozuo City in Henan Province, Huangshan District of Huangshan City in Anhui Province, Suining County in Hunan Province and Fenyi County in Jiangxi Province. As at the End of the Reporting Period, the Company has donated drugs worth RMB1 million to low-income chronic patients in each of the abovementioned regions for the treatment of chronic diseases.

As at 30 June 2022, there were a total of 18 agreements in relation to the Public Welfare Program for Prevention and Treatment of Chronic Diseases, among which 16 were remote areas in need of help and 1 was national nature reservation, which helped more than 6,000 low-income chronic patients. In the second half of 2022, it is expected to donate drugs to areas including Gansu, Sichuan, Guizhou, Anhui and Jilin.

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

I. CHANGES IN SHARES

1. Changes in Shares

As at 30 June 2022, the share capital structure of the Company was as follows:

Unit: share(s)

	Before the current change		Increase/decrease (+, -) due to the current change			After the current change	
	Number	Percentage	Issuance of new shares	Others	Subtotal	Number	Percentage
I. Shares subject to selling restrictions	19,861,101	2.12%	–	–	–	19,861,101	2.12%
1. Shares held by state government							
2. Shares held by state-owned entities	17,306,329	1.85%	–	–	–	17,306,329	1.85%
3. Shares held by other domestic holders	2,501,537	0.27%	–	–	–	2,501,537	0.27%
Including: Shares held by domestic entities							
Shares held by domestic natural persons	2,501,537	0.27%	–	–	–	2,501,537	0.27%
4. Shares held by foreign holders	53,235	0.01%	–	–	–	53,235	0.01%
Including: Shares held by foreign entities							
Shares held by foreign natural persons	53,235	0.01%	–	–	–	53,235	0.01%
II. Shares not subject to selling restrictions	918,004,020	97.88%	+496,836	-3,404,400	-2,907,564	915,096,456	97.88%
1. Ordinary shares denominated in RMB	604,768,403	64.48%	+496,836	–	+496,836	605,265,239	64.74%
2. Domestically listed foreign shares							
3. Overseas listed foreign shares	313,235,617	33.40%	–	-3,404,400	-3,404,400	309,831,217	33.14%
4. Others							
III. Total number of shares	937,865,121	100.00%	+496,836	-3,404,400	-2,907,564	934,957,557	100.00%

Note: The number of shares subject to selling restrictions are listed in accordance with the data in the "Detailed Data Sheet of Restricted Shares (Information Disclosure Statement) (《限售股份明細數據表(信息披露報表)》)" provided by CSDCC.

Reasons for changes in shares

✓ Applicable ☐ Not applicable

Since the First Grant of the 2018 Share Options Incentive Scheme of the Company was in the third exercise period, and the Reserved Grant thereof was under the second exercise period, during the Reporting Period, a total of 496,836 share options were exercised by the incentive participants (including the Directors and senior management of the Company), 496,836 A Shares of the Company increased accordingly. In addition, during the Reporting Period, the Company has repurchased and cancelled 3,404,400 H Shares. The total number of shares of the Company decreased by 2,907,564 shares accordingly.

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

I. CHANGES IN SHARES *(continued)*

1. Changes in Shares *(continued)*

Approval of changes in shares

☒ Applicable ☐ Not applicable

On 10 November 2021, the Resolution on Fulfillment of Exercise Conditions for the Third Exercise Period of the First Grant under the 2018 Share Options Incentive Scheme of the Company and the Resolution on Fulfillment of Exercise Conditions for the Second Exercise Period of the Reserved Grant under the 2018 Share Options Incentive Scheme of the Company were considered and approved at the twenty-fifth meeting of the tenth session of the Board, which resolved that the exercise conditions for the third exercise period of the First Grant under the 2018 Share Options Incentive Scheme of the Company had been achieved, and agreed that the 797 incentive participants who had fulfilled the exercise conditions might exercise their 5,297,236 share options in the third exercise period at the exercise price of RMB36.16 per A Share. The exercise conditions for the second exercise period of the Reserved Grant under the 2018 Share Options Incentive Scheme of the Company had been achieved, and it was agreed that the 139 incentive participants who had fulfilled the exercise conditions might exercise their 977,900 share options in the second exercise period at the exercise price of RMB28.87 per A Share. For details of the approval of share repurchase, please refer to the relevant information in "XV. REPURCHASE, SALE OR REDEMPTION OF SECURITIES" in Section III of the Report.

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 "XV. 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

1. CHANGES IN SHARES *(continued)*

2. Changes in Shares with Selling Restrictions

✓ Applicable ☐ Not applicable

Unit: share(s)

Name of Shareholder	Number of shares with selling restrictions at the Beginning of the Period	Number of shares released from selling restrictions during the Period	Increase in the number of shares with selling restrictions during the Period	Number of shares with selling restrictions at the End of the Period	Reasons for selling restrictions	Date of release from selling restrictions
Begol	17,306,329	–	–	17,306,329	Shares pledged, shares locked up and shares subject to selling restriction before initial offering	Not confirmed
Mr. Tao Desheng (陶德勝先生)	550,350	–	–	550,350	Locked shares held by the senior management	N/A
Mr. Xu Guoxiang (徐國祥先生)	587,850	–	–	587,850	Locked shares held by the senior management	N/A
Mr. Tang Yanggang (唐陽剛先生)	258,722	–	–	258,722	Locked shares held by the senior management	N/A
Mr. Yang Daihong (楊代宏先生)	351,734	–	–	351,734	Locked shares held by the senior management	N/A
Mr. Xu Peng (徐朋先生)	53,235	–	–	53,235	Locked shares held by the senior management	N/A
Ms. Si Yanxia (司燕霞女士)	303,317	–	–	303,317	Locked shares held by the senior management	N/A
Mr. Zhou Peng (周鵬先生)	195,903	–	–	195,903	Locked shares held by the senior management	N/A
Ms. Huang Yuxuan (黃瑜璇女士)	101,488	–	–	101,488	Locked shares held by the senior management	N/A
Mr. Yang Liang (楊亮先生)	152,173	–	–	152,173	Locked shares held by the senior management	N/A
Total	19,861,101	–	–	19,861,101	–	–

Notes: Locked shares held by the senior management are to be released by a certain percentage in each year pursuant to the requirements of the Securities Law of the PRC and other relevant laws and regulations. The number of shares with selling restrictions in this table is listed according to the data in the "Detailed Data Sheet of Shares with Selling Restrictions (Information Disclosure Statement) (《限售股份明細數據表(信息披露報表)》)" provided by CSDCC. The increase in the number of shares with selling restrictions for some senior management was due to the pro-rata adjustment made to the locked shares as a result of an increase in the number of shares held after exercising their share options.

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.

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

II. ISSUE AND LISTING OF SECURITIES

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

☐ Applicable ☒ Not applicable

III. NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS IN THE COMPANY

Total number of ordinary shareholders at the End of the Reporting Period 60,560 (including 60,536 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									
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	33.11%	309,545,175	-3,463,142	-	309,545,175	-	-
Joincare	Domestic non-state owned entity	A Share	23.68%	221,376,789	-	-	221,376,789	-	-
Hong Kong Securities Clearing Company Limited	Foreign entity	A Share	2.82%	26,396,645	-10,246,172	-	26,396,645	-	-
Begol	State-owned entity	A Share	1.85%	17,306,329	-	17,306,329	-	Pledged and locked up	17,306,329
Haibin Pharma	Domestic non-state owned entity	A Share	1.80%	16,830,835	-	-	16,830,835	-	-
CITIC Securities Co., Ltd. – Social Security Fund 1106 Portfolio (中信証券股份有限公司－社保基金 1106 組合)	Others	A Share	0.57%	5,313,492	+991,417	-	5,313,492	-	-
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)	Others	A Share	0.54%	5,094,949	-	-	5,094,949	-	-
Rizhao Steel Co., Ltd. (日照鋼鐵有限公司)	Domestic non-state owned entity	A Share	0.34%	3,160,000	+1,800,000	-	3,160,000	-	-
Norges Bank – Internal Funds (挪威中央銀行－自有資金)	Foreign entity	A Share	0.31%	2,896,962	-1,852,356	-	2,896,962	-	-
He Shijin (何詩金)	Domestic natural person	A Share	0.29%	2,704,000	+443,200	-	2,704,000	-	-

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

III. NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS IN THE COMPANY

(continued)

Ordinary Shareholders Holding more than 5% or Shareholdings of the Top 10 Ordinary Shareholders

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
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)	Not applicable								

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

Name of shareholder	Number of ordinary shares held without selling restrictions at the End of the Reporting Period	Class of shares	Number
HKSCC Nominees Limited	309,545,175	Overseas listed foreign shares	309,545,175
Joincare	221,376,789	Ordinary shares denominated in RMB	221,376,789
Hong Kong Securities Clearing Company Limited	26,396,645	Ordinary shares denominated in RMB	26,396,645
Haibin Pharma	16,830,835	Ordinary shares denominated in RMB	16,830,835
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)	5,313,492	Ordinary shares denominated in RMB	5,313,492
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
Rizhao Steel Co., Ltd. (日照鋼鐵有限公司)	3,160,000	Ordinary shares denominated in RMB	3,160,000
Norges Bank – Internal Funds (挪威中央銀行－自有資金)	2,896,962	Ordinary shares denominated in RMB	2,896,962
He Shijin (何時金)	2,704,000	Ordinary shares denominated in RMB	2,704,000
Basic Pension Insurance Fund 310 Portfolio (基本養老保險基金三一零組合)	2,545,562	Ordinary shares denominated in RMB	2,545,562
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, Joincare 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 Joincare; (2) Haibin Pharma was a controlling subsidiary directly and indirectly owned by Joincare as to 100% equity interest; (3) the Company was not aware whether the other shareholders mentioned above are related parties or persons acting-in-concert as defined in the Administrative Measures for the Takeover of Listed Companies (《上市公司收購管理辦法》).		
Description of the top 10 ordinary shareholders involved in margin financing and securities lending business	Not applicable		

Notes:

- The shareholdings of the above top 10 shareholders are listed in accordance with the data in the register of members as at 30 June 2022 provided by the CSDCC and Tricor Investor Services Limited in Hong Kong.
- HKSCC Nominees Limited is a nominee holder of H Shares of the Company, and the Company cannot ascertain whether such H Shares are subject to any pledge or lock-up, and such shareholdings held by HKSCC Nominees Limited on behalf of others included 163,364,672 H Shares held by Topsino, which was a wholly-owned subsidiary of Joincare, the controlling shareholder of the Company.

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

III. NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS IN THE COMPANY

(continued)

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 2022, THE INTERESTS OR SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (WITHIN THE MEANING OF PART XV OF SFO) AS RECORDED IN THE REGISTER REQUIRED TO BE KEPT UNDER SECTION 352 OF THE SFO, OR AS OTHERWISE NOTIFIED TO THE COMPANY AND THE HONG KONG STOCK EXCHANGE PURSUANT TO THE MODEL CODE, WERE AS FOLLOWS:

Interest in shares/underlying shares of the Company

Name of director	Capacity	Number of shares/ underlying shares interested (long position)	As a percentage of the specific class of issued shares of the Company	As a percentage of the total issued shares of the Company
Mr. Zhu Baoguo (朱保國)	Interest of controlled corporation	255,513,953 A Shares ^{(1) (2)}	40.87%	27.33%
		163,364,672 H Shares ^{(1) (3)}	52.73%	17.47%
Mr. Tao Desheng (陶德勝)	Beneficial owner	809,850 A Shares ^{(4) (21)}		
	Interest of spouse	177,226 A Shares ^{(5) (6) (21)}		
		987,076 A Shares	0.16%	0.11%
Mr. Xu Guoxiang (徐國祥)	Beneficial owner	859,850 A Shares ^{(7) (21)}	0.14%	0.09%
Mr. Tang Yanggang (唐陽剛)	Beneficial owner	405,803 A Shares ^{(8) (21)}	0.06%	0.04%

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

V. AS AT 30 JUNE 2022, THE INTERESTS OR SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (WITHIN THE MEANING OF PART XV OF SFO) AS RECORDED IN THE REGISTER REQUIRED TO BE KEPT UNDER SECTION 352 OF THE SFO, OR AS OTHERWISE NOTIFIED TO THE COMPANY AND THE HONG KONG STOCK EXCHANGE PURSUANT TO THE MODEL CODE, WERE AS FOLLOWS: *(continued)*

Interest in shares/underlying shares of associated corporations of the Company

Name of director	Name of associated corporation	Capacity	Equity interest/ number of shares (long position)	As a percentage of the equity interest of associated corporation
Mr. Zhu Baoguo (朱保國)	Baiyeyuan	Beneficial owner	72,000,000 (RMB) ⁽¹⁾	90.00% ⁽¹⁾
	Joincare	Interest of controlled corporations	895,653,653 shares ^{(1) (9)}	46.83% ⁽¹⁰⁾
	LivzonBio ⁽¹¹⁾	Interest of controlled corporations	294,000,000 (RMB) ^{(1) (12)}	33.07% ⁽¹¹⁾
	Livzon HK ⁽¹¹⁾	Interest of controlled corporations	4,000 shares ^{(1) (13)}	100.00% ⁽¹¹⁾
	Livzon MAB ⁽¹¹⁾	Interest of controlled corporations	1,453,330,000 (RMB) ^{(1) (14)}	100.00% ⁽¹¹⁾
Mr. Tang Yanggang (唐陽剛)	Xinbeijiang Pharma ⁽¹⁵⁾	Interest of controlled corporations	20,238,780 shares ⁽¹⁵⁾	8.44%
	Livzon Diagnostics ⁽¹⁶⁾	Interest of controlled corporations	36,099,971 shares ⁽¹⁶⁾	9.03%
Mr. Qiu Qingfeng (邱慶豐)	Joincare	Beneficial owner	717,409 shares	0.04%
Mr. Xu Guoxiang (徐國祥)	Livzon Diagnostics ⁽¹⁷⁾	Others	2,153,399 shares ⁽¹⁷⁾	0.54%
Mr. Yu Xiong (俞雄)	Joincare	Beneficial owner	800,000 shares	0.04%
		Interest of spouse	3,720 shares ⁽¹⁸⁾	
			803,720 shares	

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

V. AS AT 30 JUNE 2022, THE INTERESTS OR SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (WITHIN THE MEANING OF PART XV OF SFO) AS RECORDED IN THE REGISTER REQUIRED TO BE KEPT UNDER SECTION 352 OF THE SFO, OR AS OTHERWISE NOTIFIED TO THE COMPANY AND THE HONG KONG STOCK EXCHANGE PURSUANT TO THE MODEL CODE, WERE AS FOLLOWS: (continued)

Notes:

- (1) Joincare was 46.83% held by Baiyeyuan which was in turn 90% held by Mr. Zhu Baoguo. Mr. Zhu Baoguo was deemed to be interested in the shares of the Company and the equity interest of its associated corporations in which Joincare was or was deemed to be interested by virtue of the SFO.
- (2) Among these shares, 238,683,118 shares (in which 17,306,329 shares were directly transferred, entrusted and pledged by Begol in favor of Joincare in accordance with the Share Transfer, Custody and Pledge Agreement entered into among three parties, namely Begol, Joincare and Zhuhai Lishi Investment Co., Ltd. (珠海市麗士投資有限公司), on 2 January 2004, and the Share Transfer and Custody Agreement and the Share Pledge Agreement entered into between Begol and Joincare) 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 included 76,050 share options, which were able to exercise options to subscribe for 76,050 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.
- (5) These shares included 30,420 share options, which were able to exercise options to subscribe for 30,420 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.
- (6) As these shares and underlying shares were held directly by Ms. Hou Xuemei, the spouse of Mr. Tao Desheng, Mr. Tao Desheng was deemed to be interested in these shares and underlying shares.
- (7) These shares included 76,050 share options, which were able to exercise options to subscribe for 76,050 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.
- (8) These shares included 60,840 share options, which were able to exercise options to subscribe for 60,840 A Shares of the Company pursuant to the 2018 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 1,912,540,667 shares. Therefore, Baiyeyuan held 46.83% equity interest in Joincare.
- (11) LivzonBio was directly held as to 33.07% by Joincare. Livzon HK and Livzon MAB were directly held as to 100% by LivzonBio.
- (12) These equity interests were held by Joincare.
- (13) These shares were held by LivzonBio.
- (14) These equity interests were held by LivzonBio.

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

V. AS AT 30 JUNE 2022, THE INTERESTS OR SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (WITHIN THE MEANING OF PART XV OF SFO) AS RECORDED IN THE REGISTER REQUIRED TO BE KEPT UNDER SECTION 352 OF THE SFO, OR AS OTHERWISE NOTIFIED TO THE COMPANY AND THE HONG KONG STOCK EXCHANGE PURSUANT TO THE MODEL CODE, WERE AS FOLLOWS: (continued)

Notes: (continued)

- (15) Xinbeijiang Pharma was directly held as to 87.14% by the Company, and directly held as to 8.44% (i.e. 20,238,780 shares) by Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥)), which was in turn directly held as to 45.50% by Mr. Tang Yanggang.
- (16) Livzon Diagnostics was directly held as to 39.425% by the Company, and as to 9.025% (i.e. 36,099,971 shares) by Zhuhai Liying Investment Management Partnership (Limited Partnership) (珠海麗英投資管理合夥企業(有限合夥)) ("Liying"), and Mr. Tang Yanggang was the general partner of Liying who directly held 19.9234% equity interest in Liying and had sole discretion to decide all matters of Liying. On 9 September 2021, Livzon Diagnostics issued new shares by way of conversion into share capital to all of its shareholders in proportion to their shareholdings pursuant to its 2020 profit distribution plan. After the conversion, the share capital of Livzon Diagnostics increased from 92,876,771 shares to 400,000,000 shares. The number of shares of Livzon Diagnostics held by Liying changed from 8,382,100 shares to 36,099,971 shares, and the shareholding percentage remained unchanged.
- (17) Mr. Xu Guoxiang directly held 5.9651% equity interest in Liying, and therefore Livzon Diagnostics was indirectly held as to 0.54% by Mr. Xu Guoxiang. On 9 September 2021, the share capital of Livzon Diagnostics increased from 92,876,771 shares to 400,000,000 shares. Therefore, the number of shares of Livzon Diagnostics indirectly held by Mr. Xu Guoxiang changed from 500,000 shares to 2,153,399 shares.
- (18) As these shares were held directly by Ms. Qian Lingyun (錢凌雲女士), the spouse of Mr. Yu Xiong, hence Mr. Yu Xiong was deemed to be interested in these shares.
- (19) For details of the aforesaid 2018 Share Options Incentive Scheme of the Company, please refer to the relevant information of the "XVII. SHARE OPTIONS INCENTIVE SCHEMES" in Section III of the Report.

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

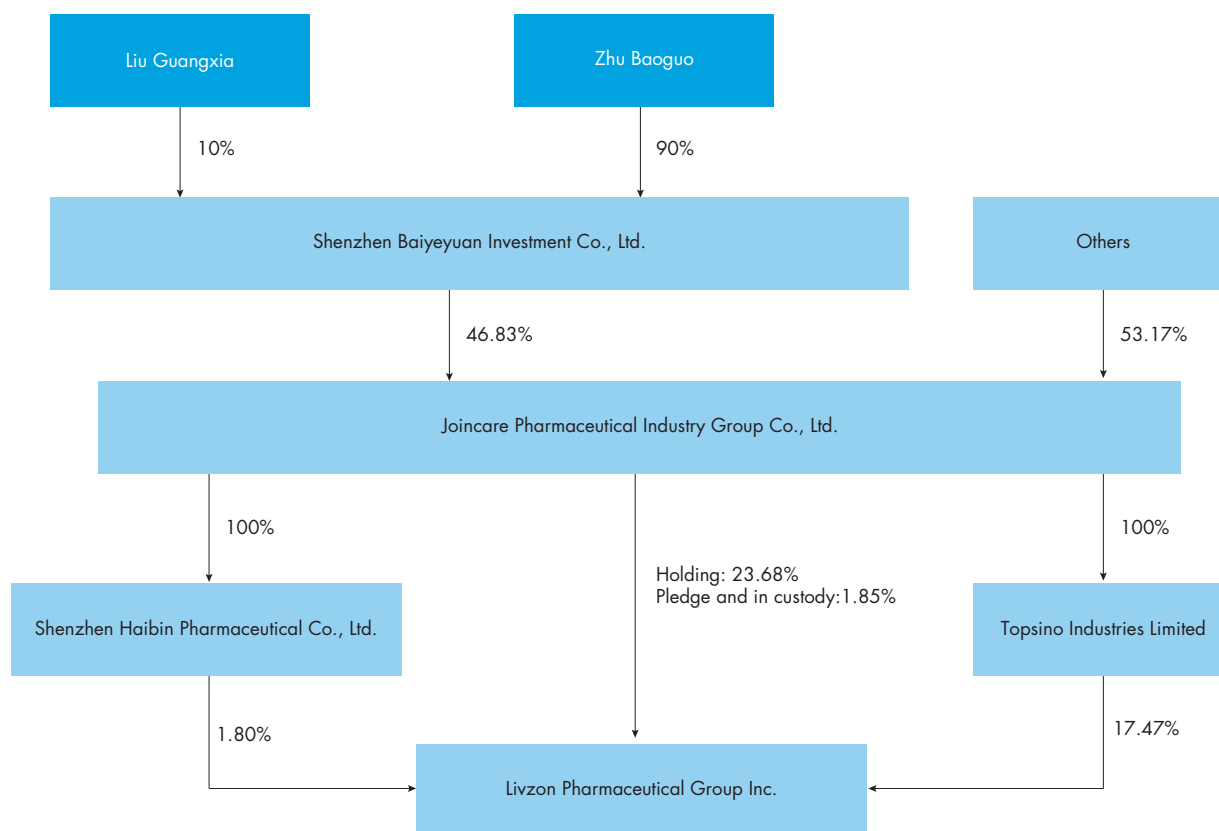
There was no change in the controlling shareholder of the Company during the Reporting Period.

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 (朱保國先生) is the spouse of Ms. Liu Guangxia (劉廣霞女士).
2. The third exercise period under the first grant of the 2018 Share Options Incentive Scheme of Joicare was from 21 December 2021 to 20 December 2022, while the second exercise period under the reserved grant was from 23 September 2021 to 22 September 2022, the share capital of Joicare changed to 1,912,540,667 shares as at 30 June 2022. Baiyeyuan held 895,653,653 shares of Joicare. Therefore, the shareholding in Joicare held by Baiyeyuan reduced from 46.95% to 46.83%.

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

VII. AS AT 30 JUNE 2022, THE FOLLOWING MAJOR SHAREHOLDERS AND OTHER PERSONS, OTHER THAN THE DIRECTORS, SUPERVISORS OR CHIEF EXECUTIVES (AS DEFINED IN THE SFO), HAD INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY WHICH WERE REQUIRED TO BE RECORDED IN THE REGISTER REQUIRED TO BE KEPT BY THE COMPANY UNDER SECTION 336 OF THE SFO:

Name of shareholder	Capacity	Number of shares interested	Position	As a percentage of the specific class of issued shares of the Company	As a percentage of the total issued shares of the Company
Substantial Shareholders					
Baiyeyuan	Interest of controlled corporations	255,513,953 A Shares ⁽¹⁾	Long position	40.87%	27.33%
	Interest of controlled corporations	163,364,672 H Shares ⁽²⁾	Long position	52.73%	17.47%
Ms. Liu Guangxia (劉廣霞)	Interest of spouse	255,513,953 A Shares ⁽³⁾	Long position	40.87%	27.33%
		163,364,672 H Shares ⁽³⁾	Long position	52.73%	17.47%
Joincare	Beneficial owner	221,376,789 A Shares	Long position		
	Interest of controlled corporations	16,830,835 A Shares ⁽⁴⁾	Long position		
	Holder of security interest in shares	17,306,329 A Shares ⁽⁵⁾	Long position		
		255,513,953 A Shares		40.87%	27.33%
	Interest of controlled corporations	163,364,672 H Shares ⁽²⁾	Long position	52.73%	17.47%
Topsino	Beneficial owner	163,364,672 H Shares	Long position	52.73%	17.47%

Notes:

- (1) Among these shares, 238,683,118 shares and 16,830,835 shares were directly held by Joincare and its wholly-owned subsidiary, Haibin Pharma, respectively.
- (2) These shares were directly held by Topsino, a wholly-owned subsidiary of Joincare.
- (3) As Ms. Liu Guangxia is the spouse of Mr. Zhu Baoguo, she is deemed to be interested in the shares in which Mr. Zhu Baoguo is deemed to be interested.
- (4) These shares were directly held by Haibin Pharma, a wholly-owned subsidiary of Joincare.
- (5) These shares were directly transferred, entrusted and pledged by Begol in favor of Joincare in accordance with the Share Transfer, Custody and Pledge Agreement entered into among three parties, namely Begol, Joincare and Zhuhai Lishi Investment Co., Ltd. (珠海市麗士投資有限公司), on 2 January 2004 and the Share Transfer and Custody Agreement and the Share Pledge Agreement entered into between Begol and Joincare.

SECTION VIII INFORMATION ON PREFERRED SHARES

☐ Applicable ☒ Not applicable

The Company had no preferred shares during the Reporting Period.

SECTION IX INFORMATION ON BONDS

☐ Applicable ☒ Not applicable

SECTION X FINANCIAL REPORT

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	9,232,850,780.02	7,552,666,674.34	9,146,373,455.01	7,577,721,240.98
Financial assets held for trading	V.2	99,806,543.32	14,885,277.92	182,773,354.56	13,250,402.40
Bills receivable	V.3	1,378,128,801.25	869,748,347.91	1,342,029,380.44	892,715,893.48
Accounts receivables	V.4	2,167,129,953.93	882,832,923.45	1,951,898,111.20	905,682,483.41
Receivables financing					
Prepayments	V.5	257,455,756.66	22,604,510.41	281,083,347.36	17,548,790.19
Other receivables	V.6	40,910,640.73	1,538,720,836.94	47,768,970.54	1,198,183,164.60
Of which: Interest receivable					
Dividends receivable		215,678.92	735,403,888.07		340,100,088.07
Inventories	V.7	1,813,541,411.62	837,637,929.82	1,663,227,968.17	495,944,039.54
Contract assets					
Held-for-sale assets					
Non-current assets due within one year	V.8	38,498.84		317,381.23	
Other current assets	V.9	23,372,109.79	7,790,780.34	57,624,626.16	5,465,630.24
Total current assets		15,013,234,496.16	11,726,887,281.13	14,673,096,594.67	11,106,511,644.84
Non-current assets:					
Debt investments					
Other debt investments					
Long-term receivables	V.10	82,574.69		266,904.13	
Long-term equity investments	V.11	1,082,707,361.85	3,804,443,920.76	1,064,968,250.00	3,785,447,205.34
Other equity instrument investments	V.12	622,995,500.36	179,441,783.34	629,914,544.37	176,366,200.00
Other non-current financial assets					
Investment properties					
Fixed assets	V.13	3,567,698,487.23	88,989,704.64	3,669,728,093.97	92,968,672.60
Construction in progress	V.14	853,041,996.94		554,575,587.48	
Productive biological assets					
Oil and gas assets					
Right-of-use assets	V.15	20,006,853.09	1,540,810.48	14,588,322.60	870,120.32
Intangible assets	V.16	307,846,671.42	32,691,210.94	260,279,167.34	29,857,473.53
Development expenditure	V.17	633,402,577.67	14,257,436.03	574,499,574.42	13,244,598.15
Goodwill	V.18	103,040,497.85		103,040,497.85	
Long-term deferred expenses	V.19	135,431,849.83	6,429,480.86	129,910,521.60	6,458,038.53
Deferred income tax assets	V.20	315,198,535.37	107,401,974.12	252,694,687.27	94,308,174.28
Other non-current assets	V.21	283,041,731.19	72,907,357.70	444,352,845.12	78,030,099.24
Total non-current assets		7,924,494,637.49	4,308,103,678.87	7,698,818,996.15	4,277,550,581.99
Total assets		22,937,729,133.65	16,034,990,960.00	22,371,915,590.82	15,384,062,226.83

CONSOLIDATED AND COMPANY BALANCE SHEET

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount at the End of the Period		Amount at the Beginning of the Year	
		Consolidated	Company	Consolidated	Company
Current liabilities:					
Short-term loans	V.22	1,607,775,000.02		2,043,048,023.71	440,818,819.44
Financial liabilities held for trading	V.23	5,954,536.12		143,302.24	
Bills payables	V.24	1,166,319,640.57	1,870,533,252.26	1,026,619,858.93	834,184,045.06
Accounts payables	V.25	742,460,259.61	729,486,246.45	790,679,701.29	494,765,644.69
Receipts in advance					
Contract liabilities	V.26	55,383,313.65	12,724,246.99	167,796,768.82	91,125,189.51
Employee benefits payables	V.27	246,495,450.31	111,545,476.71	296,784,492.89	112,547,780.95
Taxes and surcharge payables	V.28	321,942,558.56	21,783,049.56	160,385,251.99	34,312,525.72
Other payables	V.29	2,589,324,588.70	5,793,592,154.69	2,416,840,968.10	5,355,253,454.58
Of which: Interest payable					
Dividends payable		45,749,661.79	21,137,851.79	6,951,984.46	20,174.46
Held-for-sale liabilities					
Non-current liabilities due within one year	V.30	11,940,736.85	1,430,318.16	9,284,335.86	763,367.86
Other current liabilities	V.31	3,911,435.31	1,640,752.82	13,485,363.41	9,440,130.86
Total current liabilities		6,751,507,519.70	8,542,735,497.64	6,925,068,067.24	7,373,210,958.67
Non-current liabilities:					
Long-term loans	V.32	1,663,726,004.58	279,000,000.00	636,780,252.78	636,780,252.78
Bonds payables					
Leasing liabilities	V.33	8,426,983.84	124,185.66	5,274,240.80	130,316.74
Long-term payables					
Long-term employee benefits payables					
Provisions					
Deferred gains	V.34	289,785,489.43	55,935,000.00	258,882,992.46	70,110,800.00
Deferred income tax liabilities	V.20	153,456,252.93	27,889,183.43	156,885,243.92	27,959,990.31
Other non-current liabilities	V.35	84,000,000.00		78,000,000.00	
Total non-current liabilities		2,199,394,730.78	362,948,369.09	1,135,822,729.96	734,981,359.83
Total liabilities		8,950,902,250.48	8,905,683,866.73	8,060,890,797.20	8,108,192,318.50
Share capital	V.36	934,957,557.00	934,957,557.00	937,865,121.00	937,865,121.00
Other equity instruments					
Of which: Preferred shares					
Perpetual bonds					
Capital reserve	V.37	1,590,144,625.41	1,739,031,856.95	1,629,356,574.34	1,785,950,573.90
Less: treasury shares	V.38			71,209,491.00	71,209,491.00
Other comprehensive income	V.39	78,423,167.40	98,166,366.75	46,548,997.70	95,689,368.89
Special reserve					
Surplus reserve	V.40	744,801,154.15	539,838,100.57	744,801,154.15	539,838,100.57
Undistributed profits	V.41	9,518,593,562.91	3,817,313,212.00	9,716,401,275.28	3,987,736,234.97
Total equity attributable to shareholders of the parent company		12,866,920,066.87	7,129,307,093.27	13,003,763,631.47	7,275,869,908.33
Minority interests		1,119,906,816.30		1,307,261,162.15	
Total shareholders' (or owners') equity		13,986,826,883.17	7,129,307,093.27	14,311,024,793.62	7,275,869,908.33
Total liabilities and shareholders' (or owners') equity		22,937,729,133.65	16,034,990,960.00	22,371,915,590.82	15,384,062,226.83

Chairman of the Board and Legal Representative:
Zhu Baoguo

Executive Director and President:
Tang Yanggang

Chief Financial Officer:
Si Yanxia

Head of Accounting Department:
Zhuang Jianying

CONSOLIDATED AND COMPANY INCOME STATEMENT

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Period		Amount for the Previous Period	
		Consolidated	Company	Consolidated	Company
I. Operating income	V.42	6,302,565,210.60	3,053,737,993.53	6,235,531,036.28	3,204,163,965.06
Less: Operating costs	V.42	2,191,804,060.15	2,101,897,298.32	2,125,112,700.49	2,149,775,629.79
Tax and surcharge	V.43	67,274,476.01	9,672,019.59	70,968,408.44	17,883,021.25
Selling expenses	V.44	1,903,575,926.16	718,243,227.70	2,045,170,075.55	699,013,005.74
Administrative expenses	V.45	354,872,804.38	116,867,392.52	290,077,542.12	108,746,908.19
R&D expenses	V.46	554,519,983.73	186,561,675.82	506,868,876.08	143,610,432.33
Finance expenses	V.47	-95,511,146.51	-68,046,683.12	-25,013,781.78	-20,211,086.36
Of which: Interest expenses		47,426,938.27	37,854,812.25	36,051,011.53	38,328,782.85
Interest income		99,742,075.90	101,367,716.80	65,140,139.66	57,429,707.36
Add: Other income	V.48	82,440,651.49	32,555,268.30	116,722,053.14	83,897,281.20
Investment income	V.49	36,642,122.86	1,014,746,605.04	35,103,261.85	945,583,772.51
("-" represents losses)					
Of which: Income from investments		37,182,113.99	35,439,717.56	5,963,636.97	2,671,761.75
in associates and joint ventures					
Derecognition of income from financial assets at amortized cost ("-" represents losses)					
Gains from hedging net exposure ("-" represents losses)					
Gains from changes in fair value ("-" represents losses)	V.50	-88,778,045.12	1,634,875.52	34,795,898.95	6,410,953.40
Credit impairment loss ("-" represents losses)	V.51	-3,438,379.56	-1,179,213.27	-8,579,230.48	-2,413,392.31
Asset impairment loss ("-" represents losses)	V.52	-27,233,126.37	-2,411,715.02	-28,613,112.79	-13,043,624.08
Gains from disposal of assets ("-" represents losses)	V.53	-510,518.91	-66,897.41	317,121.46	64,434.24
II. Operating profit		1,325,151,811.07	1,033,821,985.86	1,372,093,207.51	1,125,845,479.08
("-" represents losses)					
Add: Non-operating income	V.54	3,398,795.40		3,794,776.71	
Less: Non-operating expenditure	V.55	5,978,073.57	1,540,032.81	4,721,985.89	2,030,277.87
III. Total profit		1,322,572,532.90	1,032,281,953.05	1,371,165,998.33	1,123,815,201.21
("-" represents net losses)					
Less: Income tax expenses	V.56	205,070,064.67	-12,648,526.38	191,384,563.50	9,888,976.64
IV. Net profit		1,117,502,468.23	1,044,930,479.43	1,179,781,434.83	1,113,926,224.57
("-" represents net losses)					
(I) Classified by continuing operations:					
Of which: Net profit from continuing operations		1,117,502,468.23	1,044,930,479.43	1,179,781,434.83	1,113,926,224.57
("-" represents net losses)					
Net profit from discontinued operations					
("-" represents net losses)					
(II) Classified by attribution to ownership:					
Of which: Net profit attributable to shareholders of the parent company		1,017,545,790.03	1,044,930,479.43	1,062,475,917.41	1,113,926,224.57
("-" represents net losses)					
Profit and loss attributable to minority interests		99,956,678.20		117,305,517.42	
("-" 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 income after taxation		33,075,827.89	2,476,997.86	-147,548,852.00	
Other comprehensive income after taxation attributable to shareholders of the parent company		31,874,169.70	2,476,997.86	-146,888,584.48	
(I) Other comprehensive income not to be reclassified into profit or loss		-3,223,853.13	2,476,997.86	-135,902,397.80	
1. Changes in remeasurement of defined benefit plans					
2. Other comprehensive income not to be reclassified into profit or loss under equity method		2,476,997.86	2,476,997.86		
3. Changes in fair value of other equity instrument investments		-5,700,850.99		-135,902,397.80	
4. Changes in fair value of enterprise's own credit risk					
5. Others					
(II) Other comprehensive income to be reclassified into profit or loss		35,098,022.83		-10,986,186.68	
1. Other comprehensive income to be reclassified into profit or loss under equity method					
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		35,098,022.83		-10,986,186.68	
7. Others					
Other comprehensive income after taxation attributable to minority interests		1,201,658.19		-660,267.52	
VI. Total comprehensive income		1,150,578,296.12	1,047,407,477.29	1,032,232,582.83	1,113,926,224.57
Total comprehensive income attributable to shareholders of the parent company		1,049,419,959.73	1,047,407,477.29	915,587,332.93	1,113,926,224.57
Total comprehensive income attributable to minority interests		101,158,336.39		116,645,249.90	
VII. Earnings per share					
(I) Basic earnings per share	V.57	1.09		1.14	
(II) Diluted earnings per share	V.57	1.09		1.14	

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 Jianyin

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 services rendered		6,340,319,306.53	3,387,386,405.00	5,989,539,829.18	3,277,321,735.07
Refund of taxes and levies		150,062,082.47	6,270,253.75	56,845,213.59	
Cash received relating to other operating activities	V.58	244,476,371.13	109,841,773.27	218,720,541.78	168,550,395.45
Subtotal of cash inflow from operating activities		6,734,857,760.13	3,503,498,432.02	6,265,105,584.55	3,445,872,130.52
Cash paid for purchase of goods and services rendered		1,541,154,491.67	1,471,163,050.52	1,362,682,898.81	2,850,009,849.42
Cash paid to and on behalf of employees		839,157,956.62	251,933,118.06	829,109,592.85	326,039,339.30
Payments for various taxes and levies		612,782,042.67	108,583,517.57	717,133,954.08	128,471,016.09
Cash paid relating to other operating activities	V.58	2,315,377,455.99	679,538,732.33	2,681,268,146.73	747,545,161.11
Subtotal of cash outflow from operating activities		5,308,471,946.95	2,511,218,418.48	5,590,194,592.47	4,052,065,365.92
Net cash flow from operating activities		1,426,385,813.18	992,280,013.54	674,910,992.08	-606,193,235.40
II. Cash flow from investing activities:					
Cash received from disposal of investments				110,302,936.39	210,365,906.70
Cash received on investment income		63,808,704.46	635,923,087.48	63,858,785.91	1,078,229,204.72
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		580,553.50	48,100.00	938,953.00	3,052,239.07
Net cash received from disposal of subsidiaries and other operating units				3,311,220.53	
Cash received relating to other investing activities	V.58	6,190,000.00		122,600.00	
Subtotal of cash inflow from investing activities		70,579,257.96	635,971,187.48	178,534,495.83	1,291,647,350.49
Cash payments for acquisition of fixed assets, intangible assets and other long-term assets		592,477,259.73	9,927,510.12	484,186,495.42	31,514,564.09
Cash payments for investments		30,338,557.45	33,000,000.00	744,000,000.00	1,671,650,503.58
Net cash paid for acquisition of subsidiaries and other operating units					
Cash paid relating to other investing activities	V.58	10,416,311.61		1,566,246.09	1,163,800.00
Subtotal of cash outflow from investing activities		633,232,128.79	42,927,510.12	1,229,752,741.51	1,704,328,867.67
Net cash flow from investing activities		-562,652,870.83	593,043,677.36	-1,051,218,245.68	-412,681,517.18

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		22,444,277.37	22,444,277.37	699,719,196.52	104,009,715.52
Of which: Cash received by subsidiaries from investments of minority interests				595,709,481.00	
Cash received from borrowings		2,520,437,809.48	200,000,000.00	1,211,215,105.43	770,000,000.00
Cash received relating to other financing activities	V.58	910,216.50	350,923,068.22	1,211,582.95	176,534,700.66
Subtotal of cash inflow from financing activities		2,543,792,303.35	573,367,345.59	1,912,145,884.90	1,050,544,416.18
Cash paid on repayment of debts		1,933,795,608.09	997,500,000.00	722,584,146.53	1,700,000.00
Cash paid for distribution of dividends, profit or interests		1,454,878,627.93	1,196,384,306.96	1,372,407,480.39	1,170,233,887.34
Of which: Dividends and profits paid to minority interests by subsidiaries		229,760,000.00		197,466,606.04	
Cash paid relating to other financing activities	V.58	12,546,968.28	3,026,909.36	787,442,823.90	169,010,035.99
Subtotal of cash outflow from financing activities		3,401,221,204.30	2,196,911,216.32	2,882,434,450.82	1,340,943,923.33
Net cash flow from financing activities		-857,428,900.95	-1,623,543,870.73	-970,288,565.92	-290,399,507.15
IV. Effect of changes in foreign exchange rates on cash and cash equivalents		64,098,771.69	1,861,560.76	-22,054,962.00	1,322,421.82
V. Net increase in cash and cash equivalents		70,402,813.09	-36,358,619.07	-1,368,650,781.52	-1,307,951,837.91
Add: Balance of cash and cash equivalents at the beginning of the period		9,125,309,968.12	7,557,686,224.00	9,952,049,990.08	8,293,938,909.86
VI. Cash and cash equivalents at the end of the period		9,195,712,781.21	7,521,327,604.93	8,583,399,208.56	6,985,987,071.95

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 Jianyin

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Unit: RMB

Prepared by: Livzon Pharmaceutical Group Inc.

Item	Amount for the Period											
	Shareholders' equity attributable to shareholders of the parent company											
	Other equity			Less:			Special reserve	Surplus reserve	General risk provisions	Undistributed profits	Minority interest	Total shareholders' equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	treasury shares						
I. Balance as at the end of the previous year	937,865,121.00				1,629,356,574.34	71,209,491.00	46,548,997.70	744,801,154.15		9,716,401,275.28	1,307,261,162.15	14,311,024,793.62
Add: Adjustment for changes in accounting policies												
Correction of accounting errors in prior period												
Consolidation of enterprises under common control												
Others												
II. Balance at the beginning of the year	937,865,121.00				1,629,356,574.34	71,209,491.00	46,548,997.70	744,801,154.15		9,716,401,275.28	1,307,261,162.15	14,311,024,793.62
III. Increase/decrease during the period	-2,907,564.00				-39,211,948.93	-71,209,491.00	31,874,169.70			-197,807,712.37	-187,354,345.85	-324,197,910.45
(I) Total comprehensive income							31,874,169.70			1,017,545,790.03	101,158,336.39	1,150,578,296.12
(II) Capital contributed and reduced by shareholders	-2,907,564.00				-39,631,723.86	-71,209,491.00					7,927,317.76	36,597,520.90
1. Ordinary shares contributed by shareholders	496,836.00				15,913,381.23							16,410,217.23
2. Capital contributed by holders of other equity instruments												
3. Share-based equity-settled payments					12,361,142.33					7,927,317.76		20,288,460.09
4. Others	-3,404,400.00				-67,906,247.42	-71,209,491.00						-101,156.42
(III) Profit distribution										-1,215,353,502.40	-296,440,000.00	-1,511,793,502.40
1. Transfer of surplus reserve												
2. Provision to general risk reserve												
3. Distribution to shareholders												
4. Others												
(IV) Internal transfer within shareholders' equity										-1,215,353,502.40	-296,440,000.00	-1,511,793,502.40
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					419,774.93							419,774.93
IV. Balance as at the end of the period	934,957,557.00				1,590,144,625.41		78,423,167.40	744,801,154.15		9,518,593,562.91	1,119,906,816.30	13,986,826,883.17

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Previous Period												
	Shareholders' equity attributable to shareholders of the parent company												
	Other equity			Less:			Other			Minority interest	Total shareholders' equity		
Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Treasury shares	comprehensive income	Special reserve	Surplus reserve	General risk provisions			Undistributed profits	
I. Balance as at the end of the previous year	944,835,396.00				1,560,369,717.69	250,061,413.16	169,983,800.56		744,801,154.15		8,937,313,245.63	1,532,840,093.61	13,640,081,994.48
Add: Adjustment for changes in accounting policies													
Correction of accounting errors in prior period													
Consolidation of enterprises under common control													
Others													
II. Balance at the beginning of the year	944,835,396.00				1,560,369,717.69	250,061,413.16	169,983,800.56		744,801,154.15		8,937,313,245.63	1,532,840,093.61	13,640,081,994.48
III. Increase/decrease during the period	-9,081,357.00				-266,010,613.77	-250,061,413.16	-146,888,584.48				65,880,696.05	-80,252,749.59	-186,291,195.63
("-" represents decreases)													
(I) Total comprehensive income							-146,888,584.48				1,062,475,917.41	116,645,249.90	1,032,232,582.83
(II) Capital contributed and reduced by shareholders	-9,081,357.00				-269,894,391.64	-250,061,413.16						3,467,730.49	-25,446,604.99
1. Ordinary shares contributed by shareholders	3,641,051.00				124,537,459.62	166,649,532.40						619,072,191.00	580,601,169.22
2. Capital contributed by holders of other equity instruments													
3. Share-based equity-settled payments					9,556,686.30							2,657,730.49	12,214,416.79
4. Others	-12,722,408.00				-403,988,537.56	-416,710,945.56						-618,262,191.00	-618,262,191.00
(III) Profit distribution											-1,168,522,010.83	-196,000,000.00	-1,364,522,010.83
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					3,883,777.87		23,095,216.08		744,801,154.15		9,003,193,941.68	1,452,587,344.02	13,453,790,798.85
IV. Balance as at the end of the period	935,754,039.00				1,294,359,103.92						171,926,789.47		171,926,789.47

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 Jianyin

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

Unit: RMB

Prepared by: Livzon Pharmaceutical Group Inc.

Item	Amount for the Period						Total shareholders' equity
	Share capital	Preferred shares	Perpetual bonds	Other equity instruments	Less: treasury shares	Other comprehensive income	
				Capital reserve	Special reserve	Surplus reserve	Undistributed profits
I. Balance as at the end of the previous year	937,865,121.00			1,785,950,573.90	71,209,491.00	539,838,100.57	3,987,736,234.97
Add: Adjustment for changes in accounting policies							
Correction of accounting errors in prior period							
Others							
II. Balance at the beginning of the year	937,865,121.00			1,785,950,573.90	71,209,491.00	539,838,100.57	3,987,736,234.97
III. Increase/decrease during the period ("+" represents increases)	-2,907,564.00			-46,918,716.95	-71,209,491.00		-170,423,022.97
(I) Total comprehensive income							
(II) Capital contributed and reduced by shareholders							
1. Ordinary shares contributed by shareholders	-2,907,564.00			-47,331,985.19	-71,209,491.00		1,044,930,479.43
2. Capital contributed by holders of other equity instruments	496,836.00			15,913,381.23			
3. Share-based equity-settled payments				4,660,881.00			
4. Others	-3,404,400.00			-67,906,247.42	-71,209,491.00		-1,215,353,502.40
(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							
IV. Balance as at the end of the period	934,957,557.00			413,268.24	98,166,366.75	539,838,100.57	413,268.24
				1,739,031,856.95			7,129,307,093.27

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Previous Period						Total shareholders' equity			
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares				
I. Balance as at the end of the previous year	944,835,396.00				1,915,592,581.88	250,061,413.16	81,244,625.72	539,838,100.57	3,949,999,923.49	7,181,449,214.50
Add: Adjustment for changes in accounting policies										
Correction of accounting errors in prior period										
Others										
II. Balance at the beginning of the year	944,835,396.00				1,915,592,581.88	250,061,413.16	81,244,625.72	539,838,100.57	3,949,999,923.49	7,181,449,214.50
III. Increase/decrease during the period ("+" represents increases)	-9,081,357.00				-281,278,286.87	-250,061,413.16			-20,300,510.44	-60,598,741.15
(I) Total comprehensive income										
(II) Capital contributed and reduced by shareholders	-9,081,357.00				-271,624,165.06	-250,061,413.16				1,113,926,224.57
1. Ordinary shares contributed by shareholders	3,641,051.00				124,537,459.62	166,649,532.40				-30,644,108.90
2. Capital contributed by holders of other equity instruments										-38,471,021.78
3. Share-based equity-settled payments					7,826,912.88					7,826,912.88
4. Others	-12,722,408.00				-403,988,537.56	-416,710,945.56				
(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										
IV. Balance as at the end of the period	935,754,039.00				-9,654,121.81	1,634,314,295.01	81,244,625.72	539,838,100.57	3,929,699,413.05	-9,654,121.81
										7,120,850,473.35

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 Jianyin

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

I. BASIC INFORMATION OF THE COMPANY

1. Overview

In March 1992, Livzon Pharmaceutical Group Inc. (麗珠醫藥集團股份有限公司) (hereinafter referred to as the "Company") was transformed into a company limited by shares by directed placement, with seven companies namely, Macau Nam Yue (Group) Co., Ltd. (澳門南粵(集團)有限公司), Zhuhai Credit Cooperative Union (珠海市信用合作聯社), Guangdong Medicine Group Co., Ltd. (廣東省製藥工業公司), Zhuhai Medicine Corporation (珠海市醫藥總公司), Guangzhou Medicines & Health Products Imp. & Exp. Corp. (廣州醫藥保健品進出口公司), Zhuhai branch of Bank of China (中國銀行珠海市分行) and Zhuhai Guihua Employees Mutual Aid Association (珠海桂花職工互助會) as its promoters to make share contribution by converting their net assets in their original sino-foreign joint ventures with limited liability into consideration, and by directed placement from other domestic legal persons and internal staff pursuant to the approval 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 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 domestic 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 domestic legal person shares of the Company, representing 12.72% of the total share capital of the Company.

On 4 February 2005, Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司) (hereinafter referred to as the "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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

1. Overview *(continued)*

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.

At the 2008 First Extraordinary General Meeting, the Company considered and approved the “Resolution on Repurchase of Domestically Listed Foreign Shares (B Shares) of the Company”. As at 2 December 2009 (the expiry date of implementing the repurchase), the Company accumulatively repurchased 10,313,630 B Shares. On 4 December 2009, the Company completed the cancellation of the repurchased shares with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司深圳分公司). The total share capital of the Company was reduced by 10,313,630 shares, and the registered capital of the Company was reduced from RMB306,035,482 to RMB295,721,852. The Company completed the changes of the industrial and commercial registration on 20 April 2010.

Pursuant to the “Restricted Shares Incentive Scheme of Livzon Pharmaceutical Group Inc. (Revised Draft)” and its summary considered and approved by the 2015 First Extraordinary General Meeting of the Company and the resolution of the 8th Meeting of the 8th Session of the Board on 27 March 2015, 458 restricted shares incentive participants exercised the share options and the actual number of exercised share options was 8,660,400. Capital verification for this exercise was completed on 27 March 2015 and the approval registration was completed by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. The registered capital following the exercise changed to RMB304,382,252. This capital increase was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2015] No. 40030004) issued by Ruihua Certified Public Accountants. The Company completed the changes of the industrial and commercial registration on 22 May 2015.

Pursuant to the resolutions of the 2014 Annual General Meeting, the 2015 Second Class Meeting of A Shareholders and the 2015 Second Class Meeting of H Shareholders, it was agreed that the Company issued 91,314,675 bonus shares with a nominal value of RMB1 each in the proportion of 3 shares for every 10 shares to all shareholders by way of conversion of capital reserve based on the total share capital of the Company of 304,382,252 shares. Upon the bonus issue, the registered capital of the Company changed to RMB395,696,927. This capital increase was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2015] No. 40030017) issued by Ruihua Certified Public Accountants. The Company completed the changes of the industrial and commercial registration on 21 January 2016 with the unified social credit code 914404006174883094.

Pursuant to the “Resolution on Repurchase and Cancellation of Restricted Shares Granted But Not Yet Unlocked Held by Incentive Participants Without Satisfying Incentive Conditions” considered and approved by the 16th Meeting of the 8th Session of the Board on 27 October 2015, 93,080 shares were repurchased. After the repurchase, the Company’s share capital changed to RMB395,603,847. This capital reduction was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2015] No. 40030020) issued by Ruihua Certified Public Accountants.

Pursuant to the “Resolution on Granting the Reserved Restricted Shares to Incentive Participants” considered and approved by the 18th Meeting of the 8th Session of the Board on 12 November 2015, 177 restricted shares incentive participants exercised the share options and the actual number of exercised share options was 1,285,700. Capital verification of this exercise was completed on 18 December 2015 and the approval registration was completed by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. The Company’s share capital following the exercise changed to RMB396,889,547. This capital increase was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2015] No. 40030023) issued by Ruihua Certified Public Accountants.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

1. Overview *(continued)*

Pursuant to the “Resolution on Repurchase and Cancellation of Restricted Shares Granted But Not Yet Unlocked Held by Incentive Participants Without Satisfying Incentive Conditions” considered and approved by the 23rd Meeting of the 8th Session of the Board on 28 March 2016 and the 26th Meeting of the 8th Session of the Board on 16 May 2016, 257,624 shares were repurchased. After the repurchase, the Company’s share capital changed to RMB396,631,923. This capital reduction was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2016] No. 40030011) issued by Ruihua Certified Public Accountants.

Pursuant to the resolutions of the 17th Meeting of the 8th Session of the Board on 2 November 2015, the 2015 Third Extraordinary General Meeting on 21 December 2015, the 21st Meeting of the 8th Session of the Board on 8 March 2016, the 2016 Second Extraordinary General Meeting on 25 April 2016, as approved by China Securities Regulatory Commission (中國證券監督管理委員會) with the “Approval in Relation to the Non-public Issuance of Shares by Livzon Pharmaceutical Group Inc.” (Zheng Jian Xu Ke [2016] No. 1524) on 1 August 2016, 29,098,203 ordinary shares denominated in Renminbi (A Shares) of the Company were issued through non-public issuance with a nominal value of RMB1.00 each. After the issuance, the Company’s share capital changed to RMB425,730,126. This capital increase was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2016] No. 40030019) issued by Ruihua Certified Public Accountants.

Pursuant to the “Resolution on Repurchase and Cancellation of Restricted Shares Granted But Not Yet Unlocked Held by Incentive Participants Without Satisfying Incentive Conditions” considered and approved by the 32nd Meeting of the 8th Session of the Board on 30 November 2016 and the 36th Meeting of the 8th Session of the Board on 28 March 2017, 167,534 shares were repurchased. After the repurchase, the Company’s share capital changed to RMB425,562,592. This capital reduction was validated and confirmed by the Capital Verification Reports (Ruihua Yan Zi [2017] No. 40030001 and [2017] No. 40030007) issued by Ruihua Certified Public Accountants.

Pursuant to the resolutions of the 2016 Annual General Meeting, the 2017 First Class Meeting of A Shareholders and the 2017 First Class Meeting of H Shareholders and the revised Articles of Association, it was agreed that the Company issued 127,668,777 bonus shares with a nominal value of RMB1 each in the proportion of 3 shares for every 10 shares to all shareholders by way of conversion of capital reserve based on the total share capital of the Company of 425,562,592 shares. Upon completion of the bonus issue, the registered capital of the Company changed to RMB553,231,369. This capital increase was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2017] No. 40030010) issued by Ruihua Certified Public Accountants.

Pursuant to the “Resolution on Repurchase and Cancellation of Part of Restricted Shares” and the “Resolution on Repurchase and Cancellation of Restricted Shares Granted But Not Yet Unlocked Held by Incentive Participants Without Satisfying Incentive Conditions” considered and approved at the 6th Meeting of 9th Session of the Board on 15 December 2017 and the 12th Meeting of 9th Session of the Board on 29 March 2018, respectively, 115,799 shares were repurchased. After the repurchase, the share capital of the Company changed to RMB553,115,570. This capital reduction was validated and confirmed by the Capital Verification Reports (Ruihua Yan Zi [2018] No. 40030006 and [2018] No. 40030008) issued by Ruihua Certified Public Accountants.

Pursuant to the resolutions of the 2017 Annual General Meeting, the 2018 Second Class Meeting of A Shareholders and the 2018 Second Class Meeting of H Shareholders and the revised Articles of Association, it was agreed that the Company issued 165,934,670 bonus shares with a nominal value of RMB1 each in the proportion of 3 shares for every 10 shares to all shareholders by way of conversion of capital reserve based on the total share capital of the Company of 553,115,570 shares. Upon completion of the bonus issue, the registered capital of the Company changed to RMB719,050,240. This capital increase was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2018] No. 40030013) issued by Ruihua Certified Public Accountants.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

1. Overview *(continued)*

Pursuant to the “Resolution on Repurchase and Cancellation of Part of Restricted Shares” considered and approved by the 22nd Meeting of the 9th Session of the Board on 18 December 2018, 2,028 shares were repurchased at a price of RMB12.43 per share, and then cancelled. After the repurchase and cancellation, the Company’s share capital has changed to RMB719,048,212.00. This capital decrease was validated by the Capital Verification Report (Ruihua Yan Zi [2019] No. 40020003) issued by Ruihua Certified Public Accountants (LLP).

Pursuant to the resolutions of the 2018 Annual General Meeting, the 2019 Second Class Meeting of A Shareholders and the 2019 Second Class Meeting of H Shareholders and the revised Articles of Association, it was agreed that the Company issued 215,714,463 bonus shares with a nominal value of RMB1 each in the proportion of 3 shares for every 10 shares to all shareholders by way of conversion of capital reserve based on the total share capital of the Company of 719,048,212 shares. Upon completion of the bonus issue, the registered capital of the Company changed to RMB934,762,675. This capital increase was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2019] No.40020008) issued by Ruihua Certified Public Accountants.

Pursuant to the “Resolution on 2018 Share Options Incentive Scheme (Revised Draft) and Its Summary” considered and approved by the 2018 Third Extraordinary General Meeting, the 2018 Third Class Meeting of A Shareholders and the 2018 Third Class Meeting of H Shareholders and the “Resolution on the Related Matters of the Reserved Grant of 2018 Share Options Incentive Scheme” considered and approved at the 31st Meeting of the 9th Session of the Board, the number of share options exercised was 16,321,690 as at 30 June 2022, the total number of repurchased shares cancelled was 16,126,808 shares as at 30 June 2022, and the total share capital of the Company was changed to 934,957,557 shares.

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.

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 33rd Meeting of the 10th Session of the Board on 9 August 2022.

2. Scope of consolidated financial statements

Please refer to Note VII “Equity in other entities” for names of subsidiaries included in the consolidation from January to June 2022. One subsidiary was included in the consolidation during the Period when compared with the previous year while no subsidiary was excluded. Please refer to Note VI “Changes in the scope of consolidation” for details.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

II. BASIS OF PREPARATION FOR THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the MOF and its application guidance, interpretations and the other related provisions (collectively, the “Accounting Standards for Business Enterprises”). In addition, the Company also discloses relevant financial information in accordance with the Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (2014 Revision) issued by the CSRC.

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

The Company’s accounting is measured on an accrual basis. Except for certain financial instruments, these financial statements are generally measured at historical cost. In case of asset impairment, the 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.21 and Note III.28.

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

The financial statements comply with the Accounting Standards for Business Enterprises, which gave a true and complete view of the consolidated and the Company’s financial position as at 30 June 2022, 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 2022.

2. Accounting period

The accounting period of the Company is classified into an accounting year and an interim accounting period. An interim accounting period refers to a reporting period shorter than an accounting year. The accounting year of the Company is from 1 January to 31 December in each calendar year.

3. Business cycle

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 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

5. Accounting treatment for business combinations

Business combination refers to a transaction or an event under which two or more separate enterprises combine into one reporting body. Business combinations are classified into business combinations involving enterprises under common control and business combinations involving enterprises not under common control.

(1) Business combinations involving enterprises under common control

For the business combination involving entities under common control, the assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party as at the combination date, except the adjustment made due to different accounting policies. The difference between the carrying amount of the consideration paid for the combination and the net assets acquired 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 on the date of combination. The difference between the initial investment cost and the sum of the carrying amount of the investment held and the carrying amount of consideration paid for the combination at the combination date is adjusted against share premium under the capital reserve, with any excess adjusted against retained earnings.

In the consolidated financial statements, the assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party as at the combination date, except the adjustment made due to different accounting policies. The difference between sum of the carrying amount of the investment held and the carrying amount of the consideration paid for the combination and the carrying amount of the net assets acquired is adjusted against share premium 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.

(2) Business combinations involving enterprises not under common control

For the business combinations involving enterprises not under common control, the combination cost shall be the fair value of the assets transferred, liabilities incurred or assumed, and equity securities issued by the acquirer for acquisition of control in the acquiree on the acquisition date. The assets, liabilities and contingent liabilities acquired or assumed on the date of acquisition are recognised at fair value.

Where the combination cost exceeds the fair value of the acquiree's identifiable net assets in the business combination, the difference is recognised as goodwill and is subsequently measured at cost less accumulated impairment provisions. Where the combination cost is less than the fair value of the acquiree's identifiable net assets in the business combination, the difference shall be included in profit or loss for the current period after review.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

5. Accounting treatment for business combinations *(continued)*

(2) Business combinations involving enterprises not under common control *(continued)*

Business combination involving enterprises not under common control and achieved in a number of transactions.

In the separate financial statements, the initial cost of the investment is the sum of the carrying amount of the acquiree's equity investment held before the acquisition date and the additional investment cost on the acquisition date. In respect of the equity investment held prior to the acquisition date, other comprehensive income will not be recognised using equity method on the acquisition date, and such investment will be accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the investee at the time of disposal. 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 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 investment profit or loss for the current period on the acquisition date, except for the other comprehensive income incurred due to the changes arising from remeasuring net assets or net liabilities of defined benefit plan attributable to the investee.

(3) Transaction fees attribution during the 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.

6. Preparation of consolidated financial statements

(1) Scope of consolidation

The scope of consolidated financial statements is determined based on control. Control means the Company has exposures or rights to variable returns from its involvement with an investee and the ability to affect those returns through power over such investee. Subsidiaries are the entities controlled by the Company, including enterprises, a dividable part of investees and structured entities.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

6. Preparation of consolidated financial statements *(continued)*

(2) Method for preparation of the consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the Company in accordance with other relevant information. In preparing the consolidation financial statements, the Company and its subsidiaries are required to apply consistent accounting policy and accounting period, intra-group transactions and balances shall be offset.

A subsidiary or a business acquired through a business combination involving entities under common control in the reporting period shall be included in the scope of the consolidation of the Company from the date when it is under control of the ultimate controlling party, and then its operating results and cash flows will be included in the consolidated income statement and the consolidated cash flow statement, respectively.

For a subsidiary or a business acquired through a business combination involving entities not under common control in the reporting period, its income, expenses and profits are included in the consolidated income statement, and its cash flows are included in the consolidated cash flow statement from the acquisition date to the end of the reporting date.

The shareholders' equity of the subsidiaries that are not attributable to the Company shall be presented under shareholders' equity in the consolidated balance sheet as minority interests. The portion of net profit or loss of subsidiaries for the 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.

(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 of the subsidiaries 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, and the Company's share in the sum of carrying value of net assets of the original subsidiary and goodwill calculated on an on-going basis from the acquisition date based on the original shareholding proportion is recognised in the investment income for the current period when the control is lost.

Other comprehensive income in relation to the original subsidiary's equity investment are transferred to profit or loss for the current period when control ceases, except for those arising from re-measuring net assets or net liabilities of defined benefit plan by the investee.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

6. Preparation of consolidated financial statements *(continued)*

(5) Treatment of disposal through several transactions until the loss of control of subsidiaries

Where the Company disposes of the equity interests in the subsidiary through several transactions until it loses control, and the transaction terms, conditions and economic effects satisfy one or several of the following circumstances, such several transactions shall be deemed as a basket of transactions in accounting treatment:

- ① Such transactions are entered into simultaneously or upon the consideration of the mutual impacts;
- ② No complete commercial result will be realised without such transactions as a whole;
- ③ The occurrence of one transaction depends on the occurrence of at least another transaction;
- ④ The result of an individual transaction is not economical, but it would be economical after taken into account of other transactions in the series.

In the separate financial statements, where the Company disposes of the equity investment in the subsidiary through several transactions until the loss of control, and such transactions are not regarded as “a basket of transactions”, the carrying amount of the long-term equity investment involving each disposal will be carried forward, with the difference between the 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 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

7. Classification of joint arrangement and accounting treatment for joint operation

A joint arrangement is an arrangement jointly controlled by two or more parties. The Company's joint arrangement is classified into the joint operation and the joint venture.

(1) Joint operation

A joint operation is a joint arrangement whereby the Company have rights and obligations to the relevant assets and liabilities.

The Company 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.

8. Standards for determination of cash and cash equivalents

Cash and cash equivalents of the Company include cash on hand, bank deposit readily available for payment and those investments held by the Company that are short-term (normally due in three months since the acquisition date), highly liquid, readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

9. Foreign currency 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 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

9. Foreign currency transactions and translation of financial statements in foreign currency *(continued)*

(1) Foreign currency transactions *(continued)*

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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments

Financial instruments are contracts creating financial assets of a party and financial liabilities or equity instruments of other parties.

(1) Recognition and derecognition of financial instruments

A financial asset or financial liability is recognised when the Company becomes one of the parties under a financial instrument contract.

The financial assets will be derecognised if any of the following conditions is satisfied:

- ① The contractual right to receive the cash flow of the financial assets is terminated;
- ② The financial asset has been transferred and the transferred financial asset satisfies the following conditions of 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.

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 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments (continued)

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

② Financial assets at fair value through other comprehensive income

The Company shall classify financial assets that meet the following conditions and are not designated as financial assets 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 recognised in profit or loss for the current period, while other gains or losses are recognised in other comprehensive income. The cumulative profit or loss previously included in other comprehensive income will be transferred to the profit or loss for the current period upon derecognition 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 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments (continued)

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

③ Financial assets 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.

Financial assets are measured at fair value on initial recognition. The relevant transaction cost of financial assets at fair value through profit or loss is directly recognised in profit or loss for the current period, and that of other types of financial assets is included in the initially recognised amount. Accounts receivables arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company.

(3) Classification and measurement of financial liabilities

On initial recognition, the Company's financial liabilities are classified into financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. For financial liabilities not classified as financial liabilities at fair value through profit or loss, the relevant transaction costs are included in the initially recognised amount.

① Financial liabilities at fair value through profit or loss

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

② Financial liabilities at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method; gains and losses arising from derecognition or amortisation are recognised in profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments (continued)

(3) Classification and measurement of financial liabilities (continued)

③ Distinction between financial liabilities and equity instruments

Financial liability refers to a liability that meets one of following criteria:

- A. Contractual obligation to deliver cash or other financial assets to another entity.
- B. Under any potential adverse condition, contractual obligation to exchange financial assets or financial liabilities with other parties.
- C. A non-derivative contract that 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 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments *(continued)*

(4) Derivative financial instruments and embedded derivatives *(continued)*

For the hybrid instrument which includes embedded derivatives, where the host contract is a financial asset, requirements in relation to the classification of financial assets shall apply to the hybrid instrument as a whole. Where the host contract is not a financial asset, and the hybrid instrument is not measured at fair value through the profit and loss for accounting purposes, there is no close relation between the embedded derivatives and the host contract in terms of economic features and risks, and if the instrument is subject to the same conditions as the embedded derivatives, exists independently and meets the definition of derivatives, the embedded derivatives shall be separated from the hybrid instrument and treated as separate derivative financial instruments. If it is unable to separately measure the embedded derivatives upon acquisition or on the subsequent balance sheet date, the hybrid instrument shall be entirely designated as a financial asset or financial liabilities at fair value through the profit and loss.

(5) Fair value of the financial instrument

The methods for determining the fair value of the financial assets or financial liabilities are set out in Note III.11.

(6) Impairment of financial assets

The following items are subject to impairment accounting and recognition of loss allowances based on expected credit losses:

- A. Financial assets at amortised cost;
- B. Receivables and debt investments that are measured at fair value through other comprehensive income;
- C. Contract assets as defined in the Accounting Standard for Business Enterprises No. 14 – Revenue;
- D. Lease receivables;
- E. Financial guarantee contracts, except for those measured at fair value through profit or loss, for those the transfer of financial assets does not satisfy the derecognition condition or those formed as a result of continued involvement of the transferred financial assets.

Measurement of expected credit loss (ECL)

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Company discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

The Company takes into account reasonable and valid information on past events, current conditions and forecasts of future economic conditions, with the risk of default as the weight, to calculate the probabilistic weighted amount of the present value of the difference between the cash flow receivable from contract and the expected cash flow to be received and recognise the expected credit loss.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments *(continued)*

(6) Impairment of financial assets *(continued)*

Measurement of expected credit loss (ECL) *(continued)*

The Company separately measures the expected credit losses of financial instruments at different stages. If the credit risk of a financial instrument does not increase significantly since the initial recognition, it would be classified in Stage 1, the Company would measure loss allowance based on the future 12-month expected credit losses. If the credit risk of a financial instrument has significantly increased since the initial recognition but not yet credit-impaired, it would be classified in Stage 2, the Company would measure loss allowance based on the lifetime expected credit losses of that instrument. If a financial instrument has credit-impaired since the initial recognition, it would be classified in Stage 3, and the Company would measure loss allowance base on the lifetime expected credit losses of that instrument.

For a financial instrument with lower credit risk on the balance sheet date, the Company assumes that its credit risk has not increased significantly since the initial recognition, and measures loss allowance based on the 12-month expected credit losses.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. Future 12-month expected credit losses are the expected credit losses that result from all possible default events on a financial instrument within the 12 months after the balance sheet date (or the expected life of the instrument, if it is less than 12 months), and is a portion of lifetime expected credit losses.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company are exposed to credit risk (including the option to renew).

For the financial instruments classified in Stage 1 and Stage 2 and those with lower credit risk, the Company would measure the interest income by the book balance (that is, without deduction for impairment allowance) and the effective interest rate. For financial instruments classified in Stage 3, the Company would measure the interest income by the amortised cost (that is, book balance less impairment allowance) and the effective interest rate.

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

A. Bills receivable

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

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Measurement of expected credit loss (ECL) (continued)

B. Accounts receivables

- Accounts receivables portfolio 1: Amount due from domestic customers
- Accounts receivables portfolio 2: Amount due from overseas customers
- Accounts receivables portfolio 3: Receivables of consolidated companies

Contract assets

- Contract assets portfolio: Sale of products

For bills receivable classified into portfolios, the Company measures expected credit losses based on the risk exposures of default and lifetime expected credit losses rate with reference to the historical credit loss experience, current situation and forecasts of future economic conditions.

For accounts receivables classified into portfolios, the Company measures expected credit losses through preparing a table of concordance between the aging of accounts receivables and lifetime expected credit losses rate with reference to the historical credit loss experience, current situation and forecasts of future economic conditions.

Other receivables

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

- Other receivables portfolio 1: Receivables of export tax refund
- Other receivables portfolio 2: Receivables of deposits under guarantee and security deposits and lease expenses
- Other receivables portfolio 3: Other receivables
- Other receivables portfolio 4: Other receivables of consolidated companies

For other receivables classified into portfolios, the Company measures expected credit losses based on the risk exposures of default and future 12-month or lifetime expected credit losses rate.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments (continued)

(6) Impairment of financial assets (continued)

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);
- 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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments *(continued)*

(6) Impairment of financial assets *(continued)*

Assessment of significant increase in credit risk *(continued)*

Depending on the nature of the financial instruments, the Company assesses whether credit risks have significantly increased on either an individual financial instrument basis or a collective financial instrument basis. When the assessment is performed on a collective financial instrument basis, the Company can classify the financial instruments based on the shared credit risk characteristics, such as past due information and credit risk ratings.

The Company determines that the credit risk on a financial instrument has increased significantly if it is more than 30 days past due.

Credit-impaired financial assets

The Company assesses whether financial assets at amortised cost and debt investments at fair value through other comprehensive income are credit-impaired on balance sheet date. A financial asset is credit-impaired when one or more events that have an adverse impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:

- significant financial difficulty of the issuer or debtor;
- a breach of contract by debtor, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the debtor's financial difficulty, the Company having granted to the debtor a concession that would not otherwise consider;
- it is probable that the debtor will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor.

Presentation of allowance for ECL

The Company remeasures the ECLs on each balance sheet date to reflect changes in the financial instruments' credit risk since initial recognition, and the increase or reversal of the loss allowance resulted therefrom is recognised as an impairment gain or loss in profit or loss. For financial assets at amortized cost, the loss allowance is offset against their carrying amounts in the balance sheet. For debt investments at fair value through other comprehensive income, the Company recognises the loss allowance in other comprehensive income and does not deduct the carrying amount of the financial assets.

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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments (continued)

(7) Transfer of financial assets

Transfer of financial assets refers to the transfer or delivery of financial assets to the other party (the transferee) other than the issuer of financial assets.

The Company derecognises a financial asset only if it transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; the Company should not derecognise a financial asset if it retains substantially all the risks and rewards of ownership of the financial asset.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it shall be treated as follows: if the Company has forgone control over the financial asset, it should derecognise the financial asset and recognise the assets and liabilities generated; if the Company retains its control over the financial asset, it should recognise the financial asset to the extent of its continuing involvement in the transferred financial asset and recognise the relevant liability accordingly.

(8) Offsetting financial assets and financial liabilities

When the Company has the legal right to offset recognised financial assets and financial liabilities, and the legal right can be executed at present, and the Company has a plan to settle by net amount or to realize the financial assets and repay the financial liabilities at the same time, the financial assets and financial liabilities will be offset and the net amount will be presented in the balance sheet. Otherwise, the financial assets and financial liabilities shall be presented separately in the balance sheet and cannot be offset.

11. Fair value measurement

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company measures the relevant asset or liability at fair value assuming the orderly transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability. In the absence of such a principal market, the Company assumes that the transaction takes place at the most advantageous market for the relevant asset or liability. A principal market (or the most advantageous market) is the transaction market that the Company can enter into at the measurement date. The Company adopts the same hypothesis which would be used by the market participants in asset or liability pricing to maximize their economic benefit.

If there exists an active market for the financial asset or financial liability, the Company uses the quotation on the active market as its fair value. For financial instrument without an active market, the Company uses valuation technique to recognise its fair value. However, under limited circumstances, the Company may use all information about the results and operation of the investee obtained after the date of initial recognition to determine whether the cost represents its fair value. Cost may represent the best estimate of fair value of the relevant financial asset within the scope of distribution, and such cost represents the appropriate estimate of fair value within the scope of distribution.

For non-financial assets measured at fair value, the Company takes into account a market participant's ability to generate economic benefits by using the asset in its best use or by selling it to another market participant that would use the asset in its best use.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. Fair value measurement *(continued)*

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.

12. 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 net realisable value of inventories

Net realisable value of inventories is the estimated selling price less the estimated costs of completion, selling expenses and related taxes. The net realizable value of inventories is determined based on objective evidence, and consideration will be given to the purpose of holding the inventories and the effects of the events after balance sheet date.

On the balance sheet date, the inventories are calculated at the lower of cost and the net realizable value. When the net realizable value is lower than the cost, the provision for diminution in value of inventories is made on an item-by-item basis at the excess of the cost of the inventory over its net realizable value. For large volume inventories with low unit price, the provision for diminution in value of inventories is made by categories.

When the provision for diminution in value of inventories is made, if the factors that previously give rise to the write-down of inventories are no longer exist, which result in a net realizable value of the inventory higher than its carrying amount, the amount of the provision for diminution in value of inventories that has been made should be reversed and recognised in the profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

12. Inventories *(continued)*

(4) Inventory system

The Company maintains a perpetual inventory system.

(5) Amortisation methods for low-value consumables

Low-value consumables of the Company are amortised in full when used.

13. Assets held for sale and discontinued operations

(1) Classification and measurement of non-current assets or the disposal group held for sale

Non-current assets and disposal groups are classified as held for sale if the Company recovers its book value mainly by selling (including the exchange of non-monetary assets with commercial substance) rather than continuing to use it.

The aforesaid non-current assets do not include investment property measured with the basis of fair value; the biological assets measured with the basis of fair value less selling costs; the assets formed by employee benefits; financial assets and 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

13. Assets held for sale and discontinued operations *(continued)*

(1) Classification and measurement of non-current assets or the disposal group held for sale *(continued)*

No depreciation or amortisation is provided for the non-current assets in the held-for-sale and the assets in the disposal group held for sale. The interest on the liabilities and other costs in the disposal group held for sale is recognised continuously. As far as all or part of investment in the associates and joint ventures is concerned, for the part classified into the held-for-sale category, the accounting with equity method shall be ceased, while the remaining part (which is not classified into the held-for-sale category) shall still be accounted for using the equity method. When the Company loses the significant influence on the associates and joint venture due to the sale, the use of equity method shall be ceased.

When certain non-current asset or disposal group classified into the held-for-sale category no longer meets the classification criteria for held-for-sale category, the Company shall stop classifying it into the held-for-sale category and measure it according to the lower of the following two amounts:

- ① The carrying amount of the asset of disposal group before it was classified into the held-for-sale category after being adjusted with the depreciation, amortization or impairment that could have been recognized if it was not classified into the held-for-sale category;
- ② The recoverable amount.

(2) Discontinued operation

Discontinued operation refers to the component meeting one of the following conditions that has been disposed of by the Company or classified by the Company into the held-for-sale type and can be identified separately:

- ① The component represents an independent principal business or a separate principal business place.
- ② The component is a part of the related plan for the contemplated disposal of an independent principal business or a separate principal business place.
- ③ The component is a subsidiary acquired exclusively for the purpose of resale.

(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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

13. Assets held for sale and discontinued operations *(continued)*

(3) Presentation *(continued)*

The disposal group proposed for retirement rather than sale and meeting the condition about the relevant component in the definition of the discontinued operation will be presented as discontinued operation from the date of retirement.

For the discontinued operation reported in the current period, the information formerly presented as profit and loss of continuing operation will be presented as the profit and loss of discontinued operation for the comparable accounting period in the financial statement of the current period. If the discontinued operation no longer meets the classification criteria for held-for-sale category, the information formerly presented as profit and loss of discontinued operation will be presented as the profit and loss of continuing operation for the comparable accounting period in the financial statement of the current period.

14. Long-term equity investment

The long-term equity investment includes the equity investment in the subsidiary, joint ventures and associates. The investee over which the Company has significant influence is the associates of the Company.

(1) Determination of initial investment cost

The long-term equity investment resulting from corporate merger: For the long-term equity investment resulting from merger of companies under the same control, the carrying amount of the ownership equity of the merged party obtained on the merger date presented in the consolidated financial statement of the final controlling party will be used as the investment cost. For the long-term equity investment resulting from merger of companies under different controls, the merger cost will be used as the investment cost of the long-term equity investment.

The long-term equity investment obtained by other means: For the long-term equity investment obtained by paying cash, the actually paid purchase price will be used as the initial investment cost. For the long-term equity investment obtained by issuing equity securities, the fair value of the issued equity securities will be used as the initial investment cost.

(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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

14. Long-term equity investment *(continued)*

(2) Subsequent measurement and recognition method of profit or loss *(continued)*

When accounted for using the equity method, return on investment and other comprehensive income are recognized 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.

If an entity loses control over investees due to the elimination of parts of the equity investment, the surplus owners' equity that is able to implement joint control or have significant influence over investees shall be measured at equity method and are deemed to be recognised under equity method since the acquisition date. The surplus owners' equity that are unable to implement joint control or have no significant influence over investees shall be processed in accordance with "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", and the difference between fair value and carrying amount at the day of loss of control shall be recognised as profit or loss for current period.

If the shareholding ratio of the Company is reduced due to the increase of capital of other investors, and thus the control is lost, but the joint control or significant influence can be exerted on the invested entity, the Company should recognise net asset according to the new shareholding ratio. The difference between the original book value of the long-term equity investment corresponding to the decrease in the shareholding ratio should be included in the current profit and loss; then, according to the new shareholding ratio, the investment shall be deemed to be recognised under equity method since the acquisition date.

The Company recognises the unrealized profit or loss of intra-transaction between the joint ventures or associates that belongs to itself according to the proportion of the shares and recognises the investment income or loss 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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

14. Long-term equity investment *(continued)*

(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 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 and 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.

(4) Held-for-sale equity investment

Refer to Note III. 13 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) Impairment test and impairment provision

Refer to Note III. 22 for investment to subsidiaries, associates and joint ventures and the impairment provision of assets.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

15. Investment properties

Investment properties are properties held to earn rental or capital appreciation or both. The investment properties of the Company include land use rights that have already been leased out, land use rights that are held for the purpose of sale after capital appreciation, 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 amortization in the relevant periods according to the relevant provisions on fixed assets or intangible assets.

The Company adopts the cost model for subsequent measurement of the investment properties. The method for asset impairment provision is set out in Note III. 22.

The balance after the disposal income from the disposal, transfer, 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.

16. 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.

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 rates:

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

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

16. Fixed assets (continued)

(2) Depreciation methods of fixed assets (continued)

Where, for the fixed assets for which depreciation provision is made, to determine the depreciation rate, the accumulated amount of the fixed asset depreciation provision that has been made shall be deducted.

(3) Refer to Note III. 22 for the impairment testing and the impairment provision of fixed assets.

(4) The Company reviews the useful life and estimated net residual value of fixed asset and the depreciation method applied annually at each of the year end.

The useful lives of fixed asset are adjusted if their expected useful lives are different from the original estimates; the estimated net residual values are adjusted if they are different from the original estimates.

(5) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

17. Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises necessary project expenditure incurred during construction, borrowing cost that are eligible for capitalization and other necessary cost incurred to bring the fixed assets ready for their intended use.

Construction in progress is transferred to fixed assets when the assets are ready for their intended use.

For provision for impairment of construction in progress, refer to Note III. 22.

18. Borrowing costs

(1) Recognition principle of capitalization of borrowing costs

For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, they shall be capitalized and included in the cost of related assets; other borrowing costs are recognised as expenses and included in profit or loss 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 or constructing assets eligible for capitalization;
- ② Borrowing costs incurred;
- ③ Activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

18. Borrowing costs (continued)

(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.

19. Biological assets

(1) Determination of biological assets

Biological assets refer to assets comprising living animals and plants. No biological asset shall be recognised unless it meets the conditions as follows simultaneously:

- ① An enterprise possesses or controls the biological asset as a result of past transaction or event;
- ② The economic benefits or service potential concerning this biological asset are likely to flow into the enterprise;
- ③ The cost of this biological asset can be measured reliably.

(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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

19. Biological assets (continued)

(3) Impairment of biological assets

If the net realizable value of a consumable biological asset is lower than its carrying amount, provision of impairment loss is made and recognised in the profit or loss for the current period as the excess of the carrying amount over the net realizable value. If the factors affecting the impairment of the consumable biological asset no longer exist, the amount of write-down shall be resumed and shall be reversed from the original provision for the impairment loss before being recognised in the profit or loss for the current period.

20. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the enterprise. An intangible asset is recognised only when all of the following conditions are satisfied:

- ① It is probable that the economic benefits associated with the intangible assets will flow to the enterprise;
- ② The cost of the intangible asset can be reliably measured.

Intangible assets are initially measured at actual cost.

- ① Where the payment for acquisition of an intangible asset is postponed beyond the normal credit terms, which substantially constitutes a financing transaction, the present value of the purchase price will be recognized 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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

20. Intangible assets (continued)

The Company shall make judgement to determine the useful life of intangible assets upon acquisition based on its analysis. For intangible assets with finite useful life, the useful life shall be estimated from its length of service, its output in the future or other similar factors involved. When there is no foreseeable limit to the period over which an intangible asset is expected to generate economic benefits for the enterprise, it is regarded as having an indefinite useful life.

Amortisation of intangible assets: intangible assets with finite useful life are amortised in the profit or loss using the straight-line method over the estimated useful life. An intangible asset with indefinite useful life is not amortised. The useful life for an intangible asset with a finite useful life and the method of amortisation are reviewed by the Company at least once at the end of each financial year. If the useful life and amortisation method for the intangible assets are different from the previous estimate, the change of amortisation is recognised prospectively.

Amortisation of intangible assets with finite useful life is as follows:

Category	Useful life	Amortisation	Notes
Land use rights	50 years	Equal annual instalment method	
Patent and technical know-how	2-10 years	Equal annual instalment method	
Software	2-5 years	Equal annual instalment method	
Trademark rights	5 years	Equal annual instalment method	
Others	10 years	Equal annual instalment method	

When it is estimated that an intangible asset can no longer bring future economic benefits to the enterprise on the balance sheet date, the carrying amount of the intangible asset should be reversed to the profit or loss for the current period.

Please refer to Note III. 22 for the provision of impairment of intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

21. Research and development expenditure

Expenditures on an internal research and development project are classified into expenditures on the research phase and expenditures on the development phase.

Expenditures on the research phase refer to the costs incurred for original, exploratory and planned researches with the prospect of gaining new scientific or technical knowledge and understanding to collect data and prepare for further development activities. There is great uncertainty as to whether research in progress can move onto development phase and whether intangible assets can be created at the end of the development phase. Expenditures on the research phase shall be recognised in the profit or loss for the current period when incurred.

Expenditures on the development phase refer to the cost incurred for applying research findings or other knowledge to a plan or design to produce new materials, devices, products or processes or make substantial improvement thereof before the commercial production or use. In the development phase, facilitating by the works conducted during the research phase, the Company shall be capable to demonstrate the feasibility of creating new products or new technologies. Expenditures on the development phase will be capitalized only when all of the following conditions are satisfied: it is technically feasible to complete the intangible asset so that it will be available for use or sale; the Company intends to complete the intangible asset and use or sell it; it can be demonstrated how the intangible asset will generate economic benefits, including proving that the intangible assets or the products produced by it will have markets, or the intangible assets for internal use will be useful; there are adequate technical, financial and other resources to complete the development and the Company is able to use or sell the intangible assets; and expenditures on the development phase attributable to the intangible assets can be reliably measured. The development expenditures that do not satisfy the above conditions shall be recognised in the profit or loss for the current period.

Capitalised expenditures on the development phase are shown as development expenditures in the balance sheet and reclassified as intangible assets on the date the project meets the intended purpose.

Capitalisation conditions for specific research and development projects are as follows: upon obtaining relevant approvals, such as the "Clinical Test Approval (臨床試驗批件)", "Drug Registration Approval (藥品註冊批件)" obtained in accordance with the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》) promulgated by the State Food and Drug Administration or approvals issued by international drug administration institutions, or satisfying the conditions of pilot in research and development projects, after considering both the research and development process of the pharmaceutical industry and the Company's own research and development features, the expenses occurred after obtaining such approval or commencing the pilot may be capitalized as research and development expenses provided that the conditions for development are satisfied according to the Company's assessment; the remaining research and development expenditures will be charged to research and development expenses; and the purchase price of any 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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

22. Impairment of assets

The impairment of the long-term equity investments in subsidiaries, associates and joint ventures, investment properties subsequently measured at cost, fixed assets, construction in progress, right-of-use assets, intangible assets, goodwill, etc. (excluding inventories, investment properties measured at fair value, deferred income tax assets and financial assets) is determined as follows:

On the balance sheet date, the Company determines whether there may be 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 have 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.

In the impairment test, if there is any indication that an asset group or a combination of asset groups related to goodwill may be impaired, the Company first tests the asset group or combination of asset groups excluding goodwill for impairment, calculates the recoverable amount and recognises the corresponding impairment loss. An impairment test is then carried out on the asset group or combination of asset groups containing goodwill by comparing its carrying amount with its recoverable amount. If the recoverable amount is lower than the carrying amount, an impairment loss is recognised for goodwill.

Once asset impairment loss is recognised, it cannot be reversed in subsequent accounting periods.

23. Long-term deferred expenses

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

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

24. Employee compensation

(1) The scope of employee compensation

Employee compensation refers to all forms of remuneration 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. If the liability cannot be wholly settled within twelve months after the end of the annual reporting period in which the employees render the related service and has significant financial impact, the liability shall be measured as the discounted amount.

(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 legal or constructive obligation to pay further contributions. Defined contribution plans include the basic pension insurance, unemployment insurance, etc.

During the accounting period in which the employees render services, the amount payable calculated according any defined contribution plan is recognised as a liability and included in the profit or loss for the current period or related asset costs.

(4) Termination benefits

When the Company provides termination benefits to employees, employee compensation liabilities arising from termination benefits are recognised and included in the profit or loss for the current period at the earlier of the following dates: when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; the Company recognises costs or expenses related to the restructuring that involves the payment of termination benefits.

For the implementation of the internal retirement plan for an employee, the economic compensation before the official retirement date is a termination benefit. The wage of and social insurance contributions for the internally retired employee which would have incurred from the date on which the employee ceases rendering services to the Company to the scheduled retirement date will be included in the profit or loss for the current period. Economic compensation after the official retirement date (such as normal pension) is accounted for as post-employment benefits.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

24. Employee compensation (continued)

(5) Other long-term benefits

When other long-term employee benefits provided to the employees by the Company meet the conditions of a defined contribution plan, those benefits shall be accounted for in accordance with the relevant provisions of the above defined contribution plans.

25. Provisions

An obligation related to a contingency is recognised as a provision when all of the following conditions are satisfied:

- (1) The obligation is a present obligation of the Company;
- (2) It is probable that an outflow of economic benefits of the Company will be required to settle the obligation;
- (3) The amount of the obligation can be measured reliably.

Provisions are initially measured at the best estimate of the payment to settle the associated obligations and consider the relevant risk, uncertainty and time value of money. If the impact of time value of money is significant, the best estimate is determined 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.

26. Share-based payment and equity instruments

(1) Category of share-based payment

Share-based payment of the Company is classified into equity-settled share-based payment and cash-settled share-based payment.

(2) Determination of fair value of equity instrument

For options and other equity instruments granted by the Company with active market, the fair value is determined at the active market quotations. For options and other equity instruments with no active market, option pricing model shall be used to estimate the fair value of the equity instruments. Factors as follows shall be taken into account using option pricing models: A. the exercise price of the option; B. the validity period of the option; C. the current market price of the share; D. the expected volatility of the share price; E. predicted dividend of the share; F. risk-free rate of the option within the validity period.

(3) Recognition basis for the best estimate of exercisable equity instruments

On each balance sheet date during the pending period, the Company, based on the latest subsequent information such as the latest update on the change in the number of entitled employees, makes best estimate to adjust the expected number of equity instruments that can be exercised. As at the exercise date, the final estimated number of exercisable equity instruments should equal the actual number of exercisable equity instruments.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

26. Share-based payment and equity instruments *(continued)*

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

Equity-settled share-based payment is measured at the fair value of the equity instruments granted to employees. Instruments which are exercisable immediately upon the grant are included in relevant costs or expenses at the fair value of equity instruments on the date of grant and capital reserves are increased accordingly. If exercising is conditional upon completion of services in the pending period or fulfillment of performance conditions, on each balance sheet date during the pending period, based on the best estimate of the number of exercisable equity instruments, the services received for the period are recognised as the costs or expenses and capital reserves at fair value of the equity instruments as at the date of grant. After the exercise date, relevant costs or expenses and total shareholders' equity have been recognised and will not be adjusted.

Cash-settled share-based payments are measured at the fair value of the liabilities (share-based or other equity instrument-based) assumed by the Company. Instruments which are exercisable immediately upon the grant are included in relevant costs or expenses at the fair value of liabilities assumed by the Company on the date of grant and liabilities are increased accordingly. If exercising is conditional upon completion of services in the pending period or fulfillment of performance conditions, on each balance sheet date during the pending period, based on the best estimate of the exercisable situation, the services received for the period are recognised as the costs or expenses and corresponding liabilities at fair value of the liabilities assumed by the Company. On each balance sheet date 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

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

(5) Accounting treatment for share-based payment transactions involving the Company and the shareholders or the actual controller of the Company

For share-based payment transactions involving the Company and the shareholders or the actual controller of the Company, the settlement enterprise and the enterprise receiving services (one under the Company while 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.

- ② Where an enterprise receiving services has no settlement obligations or grants its own equity instruments to employees, such share-based payment transaction will be treated as equity-settled share-based payment; where an enterprise receiving services has settlement obligations and grants equity instruments (other than its own) to employees, such share-based payment transaction will be treated as cash-settled share-based payment.

For a share-based payment transaction occurring among enterprises under the Company where the enterprise receiving services and the settlement enterprise are not the same enterprise, such share-based payment transaction shall be recognised and measured in each of the respective financial statements of the enterprise receiving services and the settlement enterprise by reference to the above principles.

27. Preferred shares, perpetual bonds and other financial instruments

(1) Distinction between financial liabilities and equity instruments

The Company classifies the financial instrument or its components as financial assets, financial liabilities or equity instruments at the initial recognition based on the contract terms of the issued financial instruments and the economic substances they reflect, instead of only in legal form, and combining the definitions of financial assets, financial liabilities and equity instruments.

(2) Accounting treatment of preferred shares, perpetual bonds and other financial instruments

The financial instruments issued by the Company are initially recognised and measured in accordance with the financial instrument standards; thereafter, interests or dividends are accrued or distributed on each balance sheet date and processed in accordance with relevant specific accounting standards for specific enterprises. That is, on the basis of the classification of a financial instrument issued, the accounting treatment of interest expenses or dividend distributions of the instrument is determined. For financial instruments classified as equity instruments, interest expenses or dividend distributions are treated as profit distributions of the Company, and repurchases and cancellations are treated as changes in equity; for financial instruments classified as financial liabilities, interest expenses or dividend distributions are in principle treated according to borrowing costs, and gains or losses arising from repurchases or redemptions are included in the profit or loss for the current period.

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 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

28. Revenue

The Company shall recognise revenue when the Company satisfies the performance obligation of the contract, that is, the customer obtains control of relevant goods or services.

When the contract contains two or more performance obligations, on the effective date of the contract, the Company 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 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

28. Revenue (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.10(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.

The Company enters into sales contracts with customers. Revenue from sales is recognised according to the invoiced amount upon the delivery of goods to the designated carrier or purchaser according to the orders received from customers; revenue from export sales is recognised mainly by adopting FOB mode according to custom declaration upon making declaration for goods and completing the export procedures.

29. Contract costs

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

29. Contract costs (continued)

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 less than one year or a normal operating cycle upon the initial recognition, are presented as "Inventories" item, and if the amortisation period is more than one year or a normal operating cycle upon the initial recognition, are presented as "Other non-current assets" item.

The contract obtaining costs recognised as assets, if the amortisation period is less than one year or a normal operating cycle upon the initial recognition, are presented as "Other current assets" item, and if the amortization period is more than one year or a normal operating cycle upon the initial recognition, are presented as "Other non-current assets" item.

30. Government grants

A government grant shall be recognised only when the enterprise can comply with the conditions attaching to the grant and the enterprise can receive the grant.

If a government grant is in the form of a transfer of a monetary asset, the item is measured at the amount received. If a government grant is in the form of a transfer of a non-monetary asset, the item is measured at fair value, when fair value is not reliably determinable, the item is measured at a nominal amount of RMB1.

Government grant related to assets represents the government grant received for acquisition and construction of long term assets, or forming long term assets in other ways. Except for these, all are government grant related to income.

Regarding to 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 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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

30. Government grants *(continued)*

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 and expenses.

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.

31. Deferred income tax assets and deferred income tax liabilities

Income tax expense comprises current income tax expense and deferred income tax expense. Current income tax and deferred income tax are included in the profit or loss for the current period as tax expense, except for deferred income tax related to transactions or events that are directly recognised in shareholders' equity which are recognised directly in shareholders' equity, and deferred income tax arising from a business combination, which is adjusted against the carrying amount of goodwill.

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

All the taxable temporary differences are recognised as deferred income tax liabilities except for those incurred in the following transactions:

- (1) The initial recognition of goodwill, and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit when the transaction occurs;
- (2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Company recognises a deferred income tax asset for the carry-forward of deductible temporary differences, deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised, except for those incurred in the following transactions:

- (1) The transaction is neither a business combination nor affects accounting profit or taxable profit when the transaction occurs;
- (2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred income tax asset is recognised when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, and it is probable that taxable profits will be available in the future, against which the temporary difference can be utilized.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

31. Deferred income tax assets and deferred income tax liabilities (continued)

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their tax effect is reflected.

At the balance sheet date, the Company reviews the carrying amount of a deferred income tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred income tax asset to be utilised, the carrying amount of the deferred income tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

32. Leases

(1) Identification of leases

At the inception of a contract, the Company, as a lessee or lessor, assesses if the customer in a contract has the right to obtain substantially all the economic benefits from use of the identified assets and the right to direct the use of the identified assets in the period of use. The Company would identify that a contract is a lease or contains a lease if a party of the contract transfers the right to control the use of one or more identified assets for a period of time in exchange for consideration.

(2) The Company as the lessee

At the inception of a lease, the Company recognises all its leases as the right-of-use assets and lease liabilities, except for the short-term leases and the leases of low-value assets which are treated with a simplified approach.

For the accounting policies on the right-of-use assets, please refer to Note III.33.

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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

32. Leases *(continued)*

(2) The Company as the lessee *(continued)*

Leases of low-value assets

For the leases of low-value assets, the Company chooses to adopt the above simplified treatment method in accordance with the specific conditions of each lease.

The Company recognised the lease payments for the leases of low-value assets in the relevant asset cost or the profit or loss for the current period on a straight-line basis over each period of the lease term.

Lease modification

When there is a lease modification and the following conditions are simultaneously met, the Company accounts for the lease modification as a separate lease: ① the lease modification expands the scope of the lease by adding the right to use one or more leased assets; ② the additional consideration is equal to the separate price of the expanded scope of the lease as adjusted for the circumstances of the contract.

If the lease modification is not accounted for as a separate lease, on the effective date of the lease modification, the Company reallocates the consideration of the modified contract, re-determines the lease term, and remeasures the lease liability based on the present value of the modified lease payment calculated at the revised discount rate.

If the lease modification results in a reduction in the scope of the lease or a shortened lease term, the Company reduces the carrying amount of the right-of-use assets accordingly, and include the gains or losses in relation to partial or complete termination of the lease in profit or loss for the current period.

If other lease modifications result in the remeasurement of lease liabilities, the Company adjusts the carrying amount of the right-of-use assets accordingly.

(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 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".

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

32. Leases (continued)

(3) The Company as the lessor (continued)

Operating leases

For the rental of operating leases, the Company recognises it in the profit or loss for the current period on a straight-line basis over each period of the lease term. The initial direct cost incurred in connection with an operating lease shall be capitalized and amortised on the same basis for recognition of rental income during the lease term, and shall be included in installments in the profit or loss for the current period. The variable lease payment, which is obtained in connection with an operating lease and not included in the lease receivables, shall be included in the profit and loss for the current period when they actually occur.

Lease modification

The Company accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any receipts in advance or lease receivable relating to the original lease as part of the lease receivable for the new lease.

When there is a modification to 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".

33. Right-of-use assets

(1) Recognition condition of right-of-use assets

The right-of-use assets of the Company are defined as the right of underlying assets in the lease term for the Company as a lessee.

Right-of-use assets are initially measured at cost as at the commencement date of the lease, which consists of: the amount of the initial measurement of the lease 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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

33. Right-of-use assets *(continued)*

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

The Company calculates depreciation on a straight-line basis. Right-of-use assets in which the Company as a lessee is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated over the remaining useful life. Otherwise, right-of-use assets are depreciated over the shorter of the lease term and its remaining useful life.

(3) For methods of impairment testing and provision for impairment for right-of-use assets, please refer to Note III. 22.

34. Repurchase of shares

Prior to cancellation or transfer of shares repurchased, the Company recognises all expenditures arising from share repurchase as cost of treasury shares in the treasury share account. Considerations and transaction fee incurred from the repurchase of shares shall lead to the elimination of owners' equity and does not recognise profit or loss when shares of the Company are repurchased, transferred or cancelled.

The difference between the actual amount received and the carrying amount of the treasury stock are 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.

35. Restricted shares

If the Company grants the Restricted Shares to incentive participants under the Share Options Incentive Scheme, the incentive participants subscribe for the shares first. If the unlocking conditions stipulated in the Share Options Incentive Scheme cannot be fulfilled subsequently, the Company repurchase the shares at the predetermined price. If the registration and other capital increase procedures for the Restricted Shares issued to employees are completed in accordance with relevant regulations, the Company recognises share capital and capital reserve (or capital premium) based on the subscription money received from the employees on the grant date; and recognises treasury shares and other payables for repurchase obligation.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

36. Significant accounting judgements and estimates

Significant accounting estimates and critical assumptions adopted by the Company are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The significant accounting estimates and critical assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are set out below:

(1) Classification of financial assets

Significant judgements involved in determining the classification of financial assets include analysis of business 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.

(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 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.

(4) 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.

(5) 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 2022 (Unless specified otherwise, all amounts are denominated in RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

36. Significant accounting judgements and estimates (continued)

(6) Revenue recognition

As stated in Note III. 28, the Company makes the following significant accounting judgements and estimates in terms of revenue recognition: identifying customer contracts; estimating the recoverability of the considerations that are entitled to be obtained by transferring goods to customers; identifying the performance obligation in the contract; estimating the variable consideration in the contract and cumulative revenue recognised where it is highly probable that a significant reversal therein will not occur when the relevant uncertainty is resolved; assessing whether there is a significant financing component in the contract; estimating the individual selling price of the individual performance obligation in the contract, etc. The Company makes judgments primarily based on historical experiences and works. Changes in these significant judgments and estimates may have significant impacts on the operating income, operating costs, and profit or loss of the current or subsequent periods.

(7) 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 and correction to accounting errors

(1) Changes in accounting policies

The Ministry of Finance issued Interpretation No. 15 of Accounting Standards for Business Enterprises (Cai Kuai [2021] No. 35) in December 2021 (hereinafter referred to as "Interpretation No. 15").

Interpretation No. 15 clarifies that "the accounting treatment of the external sales of products or by-products produced by enterprises before their fixed assets are in their intended usable condition or during research and development process (hereinafter referred to as 'Trial Operation Sales')". If an enterprise has Trial Operation Sales, it shall comply with the "Accounting Standards for Business Enterprises No. 14 – Income" and the "Accounting Standards for Business Enterprises No. 1 – Inventory" and other regulations to account relevant income and costs of Trial Operation Sales separately and include them in the profit or loss of the current period, and the net amount of the relevant income from Trial Operation Sales after offsetting relevant costs shall not be written off against the cost of fixed assets or research and development expenditures. The relevant accounting treatment provisions for "Trial Operation Sales" have been effective from 1 January 2022, and the comparative financial statements shall be adjusted retrospectively.

Interpretation No. 15 clarifies that "the determination of onerous contracts (hereinafter referred to as 'Onerous Contracts')". When determining an Onerous Contract, the cost of performing the contract includes the incremental cost of performing the contract and the apportioned amount of other costs directly related to the performance of the contract. The relevant accounting treatment provisions for "Onerous Contracts" have been effective from 1 January 2022; as a result, the retained earnings and other related financial statement items at the beginning of the year in which Interpretation No. 15 is first adopted will be adjusted, and comparative data in financial statements for prior periods shall not be adjusted.

The adoption of Interpretation No. 15 does not have significant impact on the financial position and operating results of the Company.

(2) Changes in significant accounting estimates and correction to accounting errors.

None.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

IV. TAXATION

1. The main taxes and tax rates

Types of tax	Basis of taxation	Statutory tax rate (%)
Value added tax	Taxable income	3, 13
Urban maintenance and construction tax	Turnover tax to be paid	1, 5, 7
Education surcharges	Turnover tax to be paid	3
Local education surcharges	Turnover tax to be paid	Note 1
Enterprise income tax	Turnover tax to be paid	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 rate applicable to the Company and its subsidiaries are set out as follows:

Name of taxpayer	Income tax rate (%)
Livzon Pharmaceutical Biotechnology Co., Ltd. (麗珠醫藥生物科技有限公司), Lian Hong Kong Limited (麗安香港有限公司) and Livzon Biologics Hong Kong Limited (麗珠生物科技香港有限公司)	16.5
Companhia de Macau Carason Limitada (澳門嘉安信有限公司) and Li Zhu (Macau) Limitada (麗珠(澳門)有限公司)	0 or 12 (Tax rate is 12% where the taxable income is MOP600,000 or more; for those with taxable income less than MOP600,000, they are exempted from income taxes.)
The Company and Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠), Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司), Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司), Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司), Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司), Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司), Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司), Shanghai Livzon Biotechnology Co., Ltd. (上海麗珠生物科技股份有限公司), Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司), 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 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 2022 (Unless specified otherwise, all amounts are denominated in RMB)

IV. TAXATION (continued)

2. Tax preference and approvals

(1) Preferential value added tax

In accordance with the Announcement on Value Added Tax on Biological Products Sold by Pharmaceutical Operation Enterprises (Announcement of State Administration of Taxation 2012 No. 20) and the Notice of the Ministry of Finance, the General Administration of Customs, the State Administration of Taxation and the 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), Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司) and Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司) are entitled to enjoy preferential income tax policies applicable to high and new technology enterprises since 2020 for a valid period of three years; Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) and Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) have re-applied for recognition as the high and new technology enterprises for the Period; Shanghai Livzon Biotechnology Co., Ltd. (上海麗珠生物科技有限公司) is entitled to preferential income tax policies applicable to high and new technology enterprises since 2021 for a valid period of three years; Livzon Group (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 Shenyuan Medicine Co., Ltd. (隴西麗珠參源藥材有限公司) are exempted from enterprise income tax.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Preferential Enterprise Income Tax Policies of the Guangdong-Macao In-depth Cooperation Zone of Hengqin (Cai Shui [2022] No. 19), qualified industrial enterprises located in the Guangdong-Macao In-depth Cooperation Zone of Hengqin will be subject to a reduced enterprise income tax rate of 15%. Zhuhai Lihe Medical Diagnostic Product Company Limited (珠海麗禾醫療診斷產品有限公司) and Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司) met relevant conditions, and were subject to an enterprise income tax rate of 15% for the Period.

According to the preferential tax policies for small low-profit enterprises, the portion of annual taxable income of a small low-profit enterprise which does not exceed RMB1 million is subject to enterprise income tax at a tax rate of 2.5%; the portion over RMB1 million but not exceeding RMB3 million is subject to enterprise income tax at a tax rate of 5%.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Unless specified otherwise, "Beginning of the Year" refers to 1 January 2022, "End of the Period" refers to 30 June 2022; "Period" refers to January to June 2022 and "Previous Period" refers to January to June 2021 in the following notes (including major notes to the financial statements of the Company).

1. Monetary funds

Items	Balance at the End of the Period			Balance at the Beginning of the Year		
	Amount in foreign currency	Translation rate	Amount in RMB	Amount in foreign currency	Translation rate	Amount in RMB
Cash on hand:			159,141.68			194,319.63
RMB			143,371.34			178,450.45
Euro	1,579.87	7.0084	11,072.36	1,579.87	7.2197	11,406.19
USD	700.00	6.7114	4,697.98	700.00	6.3757	4,462.99
Bank deposits:			9,135,908,635.26			9,002,550,448.00
RMB			8,251,077,345.23			8,049,009,679.75
HKD	5,697,147.26	0.85519	4,872,143.36	3,689,174.59	0.8176	3,016,269.14
Euro	75,451.07	7.0084	528,791.28	75,451.09	7.2197	544,734.23
USD	129,702,207.12	6.7114	870,483,392.86	148,446,729.16	6.3757	946,451,811.10
MOP	5,036,397.92	0.8295	4,177,692.07	1,412,971.92	0.7936	1,121,334.52
JPY	97,062,652.00	0.049136	4,769,270.46	43,429,022.00	0.055415	2,406,619.26
Bank deposits: Deposits with financial companies			0.00			0.00
Bank deposits: Interest receivable			36,177,013.85			19,969,652.77
Other monetary funds:			96,783,003.08			143,628,687.38
RMB			1,895,157.24			2,134,278.90
HKD	4,410,571.09	0.85519	3,771,876.29	67,295,920.52	0.8176	55,021,144.62
USD	13,576,298.47	6.7114	91,115,969.55	13,562,944.28	6.3757	86,473,263.86
Total			9,232,850,780.02			9,146,373,455.01
Of which: Total amount of overseas deposits			838,539,500.16			800,264,898.14

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

1. Monetary funds *(continued)*

- 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 Beginning of the Year
Deposits under guarantee	960,984.96	1,093,834.12

2. Financial assets held for trading

(1) Classification

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Financial assets held for trading	99,806,543.32	182,773,354.56
Of which: Debt instrument investments	953,678.89	940,162.94
Equity instrument investments	98,802,998.87	176,321,853.05
Derivative financial assets	49,865.56	5,511,338.57
Total	99,806,543.32	182,773,354.56

- ① The Company's investments in equity instruments and debt instruments for financial assets held for trading at the End of the Period were listed for trading on stock exchanges such as Shenzhen Stock Exchange, 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 was no hedging instruments in the balance at the End of the Period and no hedging transactions occurred during the Period.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

3. Bills receivable

Type of bills	Balance at the End of the Period			Balance at the Beginning of the Year		
	Gross amount	Provision for bad debt	Carrying amount	Gross amount	Provision for bad debt	Carrying amount
Bank acceptance bills	1,378,609,801.25	481,000.00	1,378,128,801.25	1,342,510,380.44	481,000.00	1,342,029,380.44

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

Type	Pledged amount at the End of the Period
Bank acceptance bills	264,118,889.89

As at 30 June 2022, bills with carrying amount of RMB264,118,889.89 (31 December 2021: RMB274,605,538.20) 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	180,000,478.63	0.00
Bank acceptance bills not yet mature but already discounted	27,010,984.61	0.00
Total	207,011,463.24	0.00

During the Period, the Company discounted bank acceptance bills of RMB68,836,547.39 (Previous Period: RMB0.00) to a bank. As the main risks (such as interest rate risks) and rewards related to these bank acceptance bills were transferred to the bank, the Company derecognised the bank acceptance bills not yet mature but already discounted. The discounted fee was RMB0.00 (Previous Period: RMB0.00).

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

3. Bills receivable (continued)

(3) There were no bills transferred into account receivables for non-performance by the issuer at the End of the Period.

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

Category	Balance at the End of the Period					Balance at the Beginning of the Year				
	Gross amount		Provision for bad debt			Gross amount		Provision for bad debt		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value
Provision for bad debt on individual basis	481,000.00	0.03	481,000.00	100.00	0.00	481,000.00	0.04	481,000.00	100.00	0.00
Of which:										
Bank acceptance bills	481,000.00	0.03	481,000.00	100.00	0.00	481,000.00	0.04	481,000.00	100.00	0.00
Provision for bad debt on collective basis	1,378,128,801.25	99.97	0.00	0.00	1,378,128,801.25	1,342,029,380.44	99.96	0.00	0.00	1,342,029,380.44
Of which:										
Bank acceptance bills	1,378,128,801.25	99.97	0.00	0.00	1,378,128,801.25	1,342,029,380.44	99.96	0.00	0.00	1,342,029,380.44
Total	1,378,609,801.25	100.00	481,000.00	0.03	1,378,128,801.25	1,342,510,380.44	100.00	481,000.00	0.04	1,342,029,380.44

Provision for bad debt on individual basis:

Name	Balance at the End of the Period				Balance at the Beginning of the Year			
	Gross amount	Provision for bad debt	Expected credit loss rate (%)	Reason for provision made	Gross amount	Provision for bad debt	Expected credit loss rate (%)	Reason for provision made
Henan Jiuzhoutong Pharmaceutical Co., Ltd. (河南九州通醫藥有限公司)	431,000.00	431,000.00	100.00	Not expected to be recoverable	431,000.00	431,000.00	100.00	Not expected to be recoverable
Other customers	50,000.00	50,000.00	100.00	Not expected to be recoverable	50,000.00	50,000.00	100.00	Not expected to be recoverable
Total	481,000.00	481,000.00	100.00	/	481,000.00	481,000.00	100.00	/

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

3. Bills receivable *(continued)*

(5) Provision for bad debt made, recovered or reversed during the Period

	Amount of provision for bad debt
Balance at the Beginning of the Year	481,000.00
Provision for the Period	0.00
Recoveries or reversals during the Period	0.00
Write-off during the Period	0.00
Balance at the End of the Period	481,000.00

(6) No bills receivable were 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 Beginning of the Year
Within 1 year		
Of which: Within 3 months (including 3 months)	1,918,790,572.04	1,717,858,455.79
4 – 6 months (including 6 months)	240,242,029.40	224,360,216.49
7 – 12 months (including 12 months)	34,064,931.94	32,712,993.46
Subtotal within 1 year:	2,193,097,533.38	1,974,931,665.74
1 – 2 years (including 2 years)	10,187,045.28	10,347,942.09
2 – 3 years (including 3 years)	2,102,295.67	3,654,202.11
Over 3 years	7,434,063.88	9,228,360.06
Subtotal	2,212,820,938.21	1,998,162,170.00
Less: Provision for bad debt	45,690,984.28	46,264,058.80
Total	2,167,129,953.93	1,951,898,111.20

According to the credit policies of the Company, the Company usually grants a credit period ranging from 30 to 90 days to its customers.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

4. Accounts receivables (continued)

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

Category	Balance at the End of the Period					Balance at the Beginning of the Year				
	Gross amount		Provision for bad debt			Gross amount		Provision for bad debt		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value
Provision for bad debt on individual basis	518,861.41	0.02	518,861.41	100.00	0.00	518,861.41	0.03	518,861.41	100.00	0.00
Of which:										
Due from domestic customers	518,861.41	0.02	518,861.41	100.00	0.00	518,861.41	0.03	518,861.41	100.00	0.00
Due from overseas customers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Provision for bad debt on collective basis	2,212,302,076.80	99.98	45,172,122.87	2.04	2,167,129,953.93	1,997,643,308.59	99.97	45,745,197.39	2.29	1,951,898,111.20
Of which:										
Due from domestic customers	1,833,870,459.67	82.88	38,827,739.47	2.12	1,795,042,720.20	1,595,227,516.50	79.83	38,744,144.56	2.43	1,556,483,371.94
Due from overseas customers	378,431,617.13	17.10	6,344,383.40	1.68	372,087,233.73	402,415,792.09	20.14	7,001,052.83	1.74	395,414,739.26
Total	2,212,820,938.21	100.00	45,690,984.28	2.06	2,167,129,953.93	1,998,162,170.00	100.00	46,264,058.80	2.32	1,951,898,111.20

Provision for bad debt on individual basis:

Name	Balance at the End of the Period				Balance at the Beginning of the 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)	518,861.41	518,861.41	100.00	Not expected to be recoverable	518,861.41	518,861.41	100.00	Not expected to be recoverable

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

4. Accounts receivables (continued)

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

Provision for bad debt on collective basis:

Item with provision on collective basis: Due from domestic customers

	Balance at the End of the Period			Balance at the Beginning of the 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)	1,603,137,563.77	15,948,651.93	0.99	1,387,087,222.99	13,683,895.27	0.99
4 – 6 months (including 6 months)	177,756,782.87	8,897,140.21	5.01	154,113,975.73	7,684,234.86	4.99
7 – 12 months (including 12 months)	33,771,569.61	3,502,870.48	10.37	31,314,674.93	4,054,236.59	12.95
1 – 2 years	10,187,045.28	2,091,592.50	20.53	10,347,942.09	2,048,961.01	19.80
2 – 3 years	2,102,295.67	1,472,281.88	70.03	3,654,202.11	2,563,318.18	70.15
Over 3 years	6,915,202.47	6,915,202.47	100.00	8,709,498.65	8,709,498.65	100.00
Total	1,833,870,459.67	38,827,739.47	2.12	1,595,227,516.50	38,744,144.56	2.43

Item with provision on collective basis: Due from overseas customers

	Balance at the End of the Period			Balance at the Beginning of the 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)	315,653,008.27	3,205,454.81	1.02	330,771,232.80	3,348,773.18	1.01
4 – 6 months (including 6 months)	62,485,246.53	3,109,592.35	4.98	70,246,240.76	3,511,234.20	5.00
7 – 12 months (including 12 months)	293,362.33	29,336.24	10.00	1,398,318.53	141,045.45	10.09
Total	378,431,617.13	6,344,383.40	1.68	402,415,792.09	7,001,052.83	1.74

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

4. Accounts receivables *(continued)*

(3) Provision for bad debt made, recovered or reversed during the Period

	Amount of provision for bad debt
Balance at the Beginning of the Year	46,264,058.80
Provision for the Period	1,820,125.05
Recoveries or reversals during the Period	0.00
Write-off during the Period	2,387,075.80
Others	-6,123.77
Balance at the End of the Period	45,690,984.28

As at 30 June 2022 and 31 December 2021, the Company had no accounts receivables that were past due but not impaired.

(4) Accounts receivables that were actually written off during the Period

Item	Amount written off
Total (domestic customers)	2,387,075.80
Total (overseas customers)	0.00

(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 RMB216,946,394.36, representing 9.80% 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 RMB3,590,288.67.

(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 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

5. Prepayments

(1) Disclosure of prepayments by aging analysis

Aging	Balance at the End of the Period		Balance at the Beginning of the Year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	242,694,516.33	94.27	269,876,161.63	96.01
1 – 2 years	11,167,848.65	4.34	7,066,773.78	2.51
2 – 3 years	2,940,038.53	1.14	3,869,319.78	1.38
Over 3 years	653,353.15	0.25	271,092.17	0.10
Total	257,455,756.66	100.00	281,083,347.36	100.00

(2) Prepayments to units with top five balances at the End of the Period by payees of the prepayments

The total amount of prepayments with top five balances at the End of the Period by payees of the prepayments was RMB84,754,321.84, representing 32.92% 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 Beginning of the Year
Dividends receivable	215,678.92	0.00
Other receivables	40,694,961.81	47,768,970.54
Total	40,910,640.73	47,768,970.54

(1) Dividends receivable

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Kunlun Energy Company Limited	215,678.92	0.00
Less: Provision for bad debt	0.00	0.00
Total	215,678.92	0.00

① As at the End of the Period, there was no dividends receivable aged over 1 year.

② Provision made for bad debts

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

6. Other receivables (continued)

(1) Dividends receivable (continued)

As at the End of the Period, provision for bad debts at step 1:

Category	Gross amount	Expected credit loss rate over the next 12 months (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on individual basis	215,678.92	0.00	0.00	215,678.92	
Dividend receivables	215,678.92	0.00	0.00	215,678.92	Recoverable
Provision for bad debt on collective basis	0.00	0.00	0.00	0.00	—
Total	215,678.92	0.00	0.00	215,678.92	

(2) Other receivables

① Disclosed using the aging analysis method

Aging	Balance at the End of the Period	Balance at the Beginning of the Year
Within 1 year	38,372,135.05	45,413,296.74
1 – 2 years	3,150,121.40	3,642,136.16
2 – 3 years	2,762,678.13	803,194.21
Over 3 years	8,190,300.83	8,022,936.65
Subtotal	52,475,235.41	57,881,563.76
Less: Provision for bad debt	11,780,273.60	10,112,593.22
Total	40,694,961.81	47,768,970.54

② Disclosed by nature

Item	Balance at the End of the Period			Balance at the Beginning of the Year		
	Gross amount	Provision for bad debt	Carrying amount	Gross amount	Provision for bad debt	Carrying amount
Deposits under guarantee, deposits and lease expenses	6,296,500.69	2,145,778.53	4,150,722.16	5,551,394.52	1,767,930.36	3,783,464.16
Reserve fund and advances	20,139,333.06	3,296,774.84	16,842,558.22	17,316,076.03	2,251,004.95	15,065,071.08
Balance with associates	2,341,193.08	40,960.92	2,300,232.16	1,361,441.97	22,185.66	1,339,256.31
Borrowing due from external entities	5,000,000.00	5,000,000.00	0.00	5,000,000.00	5,000,000.00	0.00
Tax refund on exports	13,916,376.41	280,211.71	13,636,164.70	17,708,111.60	198,927.69	17,509,183.91
Amounts of exercised options	2,429,180.84	0.00	2,429,180.84	8,463,240.98	0.00	8,463,240.98
Others	2,352,651.33	1,016,547.60	1,336,103.73	2,481,298.66	872,544.56	1,608,754.10
Total	52,475,235.41	11,780,273.60	40,694,961.81	57,881,563.76	10,112,593.22	47,768,970.54

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

6. Other receivables (continued)

(2) Other receivables (continued)

③ Provision for bad debt

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

Category	Gross amount	Expected credit loss rate over the next 12 months (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on individual basis	2,429,180.84	0.00	0.00	2,429,180.84	
Amounts of exercised options	2,429,180.84	0.00	0.00	2,429,180.84	Recoverable
Provision for bad debt on collective basis	0.00	0.00	0.00	0.00	–
Total	2,429,180.84	0.00	0.00	2,429,180.84	

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 individual basis	0.00	0.00	0.00	0.00	–
Provision for bad debt on collective basis	44,073,202.66	13.18	5,807,421.69	38,265,780.97	
Export tax refund receivable	13,916,376.41	2.01	280,211.71	13,636,164.70	
Deposits under guarantee and security deposits and lease expenses	6,296,500.69	34.08	2,145,778.53	4,150,722.16	
Other receivables	23,860,325.56	14.17	3,381,431.45	20,478,894.11	
Total	44,073,202.66	13.18	5,807,421.69	38,265,780.97	

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

6. Other receivables *(continued)*

(2) Other receivables *(continued)*

③ Provision for bad debt *(continued)*

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	5,972,851.91	100.00	5,972,851.91	0.00	
Other receivables	5,972,851.91	100.00	5,972,851.91	0.00	Not expected to be recoverable
Provision for bad debt on collective basis	0.00	0.00	0.00	0.00	–
Total	5,972,851.91	100.00	5,972,851.91	0.00	

As at 31 December 2021, the provision for bad debt was as follows:

As at 31 December 2021, the provision for bad debt in Step 1 was as follows:

Category	Gross amount	Expected credit loss rate over the next 12 months (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on individual basis	8,463,240.98	0.00	0.00	8,463,240.98	
Amounts of exercised options	8,463,240.98	0.00	0.00	8,463,240.98	Recoverable
Provision for bad debt on collective basis	0.00	0.00	0.00	0.00	–
Total	8,463,240.98	0.00	0.00	8,463,240.98	

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

6. Other receivables (continued)

(2) Other receivables (continued)

③ Provision for bad debt (continued)

As at 31 December 2021, 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 individual basis	0.00	0.00	0.00	0.00	–
Provision for bad debt on collective basis	43,445,470.87	9.53	4,139,741.31	39,305,729.56	
Export tax refund receivable	17,708,111.60	1.12	198,927.69	17,509,183.91	
Deposits under guarantee and security deposits and lease expenses	5,551,394.52	31.85	1,767,930.36	3,783,464.16	
Other receivables	20,185,964.75	10.76	2,172,883.26	18,013,081.49	
Total	43,445,470.87	9.53	4,139,741.31	39,305,729.56	

As at 31 December 2021, 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	5,972,851.91	100.00	5,972,851.91	0.00	
Other receivables	5,972,851.91	100.00	5,972,851.91	0.00	Not expected to be recoverable
Provision for bad debt on collective basis	0.00	0.00	0.00	0.00	–
Total	5,972,851.91	100.00	5,972,851.91	0.00	

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

6. Other receivables *(continued)*

(2) Other receivables *(continued)*

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

	Step 1	Step 2	Step 3	
	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)	Total
Provision for bad debt				
Balance at the Beginning of the Year	0.00	4,139,741.31	5,972,851.91	10,112,593.22
Balance at the Beginning of the Year transferred or reversed for the Period				
– Transferred to Step 2	0.00	0.00	0.00	0.00
– Transferred to Step 3	0.00	0.00	0.00	0.00
– Reversed to Step 2	0.00	0.00	0.00	0.00
– Reversed to Step 1	0.00	0.00	0.00	0.00
Provision for the Period	0.00	1,618,254.51	0.00	1,618,254.51
Reversal during the Period	0.00	0.00	0.00	0.00
Settlement during the Period	0.00	0.00	0.00	0.00
Write-off during the Period	0.00	0.00	0.00	0.00
Other changes	0.00	49,425.87	0.00	49,425.87
Balance at the End of the Period	0.00	5,807,421.69	5,972,851.91	11,780,273.60

- ⑤ There were no other receivables that were actually written off during the Period

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

6. Other receivables (continued)

(2) 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	13,916,376.41	Within 1 year	26.52	280,211.71
Guangzhou Galaxy Sunshine Biological Products Co., Ltd. (廣州銀河陽光生物製品有限公司)	Borrowings	5,000,000.00	Over 5 years	9.53	5,000,000.00
China Securities Depository and Clearing Corporation Limited (Shenzhen Branch) (中國證券登記結算深圳分公司)	Amount of exercised options	2,429,180.84	Within 1 year	4.63	0.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Balance with associates	2,282,237.68	Within 1 year	4.35	38,113.37
Pioneer Time Investment Limited	Security deposits	855,861.53	2-3 years	1.63	599,103.07
Total	-	24,483,656.46	-	46.66	5,917,428.15

- 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 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

7. Inventories

(1) Inventories by types

Item	Balance at the End of the Period			Balance at the Beginning of the Year		
	Gross amount	Provision for diminution in value	Carrying amount	Gross amount	Provision for diminution in value	Carrying amount
Raw materials	427,497,206.90	17,422,059.72	410,075,147.18	428,091,886.96	11,507,835.53	416,584,051.43
Packaging materials	130,577,831.31	6,064,677.58	124,513,153.73	103,247,170.25	5,944,927.96	97,302,242.29
Work in progress	390,823,284.14	2,377,922.65	388,445,361.49	331,128,522.51	2,377,922.65	328,750,599.86
Finished goods	761,652,848.90	29,432,473.52	732,220,375.38	720,783,765.61	25,085,777.21	695,697,988.40
Sub-contracting materials	1,178,080.36	0.00	1,178,080.36	2,251,074.26	0.00	2,251,074.26
Low-value consumables	60,932,074.56	14,722.25	60,917,352.31	50,310,247.98	67,356.68	50,242,891.30
Goods in transit	0.00	0.00	0.00	4,419,812.79	0.00	4,419,812.79
Consumable biological assets	12,645,273.43	0.00	12,645,273.43	12,342,303.96	0.00	12,342,303.96
Proprietary semi-finished goods	83,720,315.58	173,647.84	83,546,667.74	55,669,549.18	32,545.30	55,637,003.88
Total	1,869,026,915.18	55,485,503.56	1,813,541,411.62	1,708,244,333.50	45,016,365.33	1,663,227,968.17

(2) Provision for diminution in value of inventories

Item	Balance at the Beginning of the Year	Increase during the Period		Decrease during the Period		Balance at the End of the Period
		Provision	Others	Reversal or write-off	Others	
Raw materials	11,507,835.53	8,244,938.00	0.00	2,330,713.81	0.00	17,422,059.72
Packaging materials	5,944,927.96	2,917,926.92	0.00	2,798,177.30	0.00	6,064,677.58
Work in progress	2,377,922.65	0.00	0.00	0.00	0.00	2,377,922.65
Finished goods	25,085,777.21	16,846,294.76	0.00	12,499,598.45	0.00	29,432,473.52
Low-value consumables	67,356.68	445.91	0.00	53,080.34	0.00	14,722.25
Proprietary semi-finished goods	32,545.30	197,665.95	0.00	56,563.41	0.00	173,647.84
Total	45,016,365.33	28,207,271.54	0.00	17,738,133.31	0.00	55,485,503.56

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

7. Inventories *(continued)*

(2) Provision for diminution in value of inventories *(continued)*

Item	Basis for determination of net realizable value/remaining consideration and costs to be incurred	Reason for reversal or write-off of provision for diminution in value of inventories/provision for impairment in contract performance cost for the Period
Raw materials	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	Processing, sale of finished goods and discard
Packaging materials	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	Processing, sale of finished goods and discard
Work in progress	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	—
Finished goods	The estimated selling price less the estimated selling expenses and related taxes	Sale and discard
Low-value consumables	The estimated selling price less related taxes	Discard
Proprietary semi-finished goods	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	Sale and discard

(3) No borrowing costs had been capitalised in the balance of inventories of the Group at the end of the Period.

8. Non-current assets due within one year

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Long-term receivables due within 1 year	38,498.84	317,381.23

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

9. Other current assets

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Input VAT pending deduction/attestation	1,846,988.56	1,949,395.18
Remaining VAT credit	10,938,575.12	35,453,378.46
Advance payment of income tax	9,287,129.17	20,082,816.84
Other	1,299,416.94	139,035.68
Total	23,372,109.79	57,624,626.16

10. Long-term receivables

(1) Long-term receivables by nature

Item	Balance at the End of the Period			Balance at the Beginning of the Year			
	Gross amount	Provision for bad debt	Carrying amount	Gross amount	Provision for bad debt	Carrying amount	Range of discount rate
Receivables from equity transferred by installments	0.00	0.00	0.00	0.00	0.00	0.00	5.00%
Amount under finance lease	121,073.53	0.00	121,073.53	584,285.36	0.00	584,285.36	4.75%
Subtotal	121,073.53	0.00	121,073.53	584,285.36	0.00	584,285.36	
Less: Long-term receivables due within 1 year	38,498.84	0.00	38,498.84	317,381.23	0.00	317,381.23	
Total	82,574.69	0.00	82,574.69	266,904.13	0.00	266,904.13	

(2) The Company's long-term receivables have not been overdue.

(3) No long-term receivables of the Company has been derecognised due to transfer of financial assets.

(4) The Company has no assets or liabilities formed by its continuous involvement of transferring long-term receivables.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

11. Long-term equity investments

Investee	Change during the Period							Balance at the End of the Period	Balance of provision for impairment at the End of the Period	
	Balance at the Beginning of the Year	Acquired/ additional investment	Decrease 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
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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,200,000.00	1,200,000.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	78,029,592.18	0.00	0.00	8,449,190.92	0.00	0.00	0.00	0.00	86,478,783.10	0.00
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	1,222,398.89	0.00	0.00	59,159.96	0.00	0.00	0.00	0.00	1,281,558.85	0.00
AbCye Therapeutics Inc.	15,154,709.96	0.00	0.00	-267,465.90	0.00	0.00	0.00	0.00	14,887,244.06	0.00
L&L Biopharma Co., Ltd. (上海健信生物醫藥科技有限公司)	14,886,838.46	0.00	0.00	-377,548.72	0.00	0.00	0.00	0.00	14,509,289.74	0.00
Zhuhai Sammed Biotech Inc. (珠海聖美生物診斷技術有限公司)	83,155,557.16	0.00	0.00	-12,522,892.78	0.00	0.00	0.00	0.00	70,632,664.38	0.00
Aetio Biotherapy, Inc.	16,028,488.48	0.00	0.00	-309,835.55	0.00	0.00	0.00	0.00	15,718,652.93	0.00
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)	17,094,383.33	0.00	0.00	-2,345,145.82	0.00	0.00	0.00	0.00	14,749,237.51	0.00
Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd. (江蘇新元素醫藥科技有限公司)	67,908,607.98	30,000,000.00	0.00	-850,773.32	0.00	0.00	0.00	0.00	97,057,834.66	0.00
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	751,549,763.92	0.00	0.00	46,004,235.14	2,476,997.86	0.00	51,920,000.00	0.00	748,110,996.92	0.00
Beijing Infinite Intelligence Pharmaceutical Technology Co., Ltd. (北京英飛智藥科技有限公司)	19,937,909.64	0.00	0.00	-656,809.94	0.00	0.00	0.00	0.00	19,281,099.70	0.00
Total	1,066,168,250.00	30,000,000.00	0.00	37,182,113.99	2,476,997.86	0.00	51,920,000.00	0.00	1,083,907,361.85	1,200,000.00

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

12. Other equity instrument investments

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)	164,395,200.00	164,395,200.00
GLOBAL HEALTH SCIENCE	222,393,107.44	235,133,216.46
SCC VENTURE VI 2018-B,L.P.	6,963,959.64	6,615,626.07
Nextech V Oncology S.C.S., SICAV-SIF	32,640,308.82	30,667,263.04
Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物醫藥(上海)有限公司)	59,999,953.41	59,999,953.41
ELICIO THERAPEUTICS, INC.	33,557,014.21	31,878,510.16
CARISMA THERAPEUTICS, INC	33,555,357.83	31,876,936.63
Beijing Luzhu Biotechnology Co., Ltd. (北京綠竹生物技術股份有限公司)	41,944,015.67	41,944,015.67
Shanghai Keantai Biotechnology Co., Ltd. (上海科恩泰生物醫藥科技有限公司)	12,000,000.00	12,000,000.00
Other	15,546,583.34	15,403,822.93
Total	622,995,500.36	629,914,544.37

As the aforesaid project is a long-term investment that the Company plans to hold for strategic purposes, the Company designates it as a financial asset measured at fair value through other comprehensive income.

Continued:

Item	Dividend income recognized for the Period	Cumulative gains	Cumulative losses	Amount transferred from other comprehensive income to retained earnings	Reason for transfer
Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)	0.00	0.00	0.00	0.00	—
GLOBAL HEALTH SCIENCE	0.00	0.00	0.00	0.00	—
SCC VENTURE VI 2018-B,L.P.	0.00	0.00	0.00	0.00	—
Nextech V Oncology S.C.S., SICAV-SIF	0.00	0.00	0.00	0.00	—
Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物醫藥(上海)有限公司)	0.00	0.00	0.00	0.00	—
ELICIO THERAPEUTICS, INC.	0.00	0.00	0.00	0.00	—
CARISMA THERAPEUTICS, INC	0.00	0.00	0.00	0.00	—
Other	0.00	0.00	0.00	0.00	—
Total	0.00	0.00	0.00	0.00	

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

13. Fixed assets

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Fixed assets	3,567,698,487.23	3,669,728,093.97
Disposal of fixed assets	0.00	0.00
Total	3,567,698,487.23	3,669,728,093.97

(1) Fixed assets

① Status of fixed assets

Item	Plant and building	Machinery and equipment	Motor vehicles	Electronic devices and others	Total
I. Original book value:					
1. Balance at the Beginning of the Year	3,143,917,620.36	3,217,469,856.34	75,379,800.24	496,838,861.98	6,933,606,138.92
2. Addition during the Period	16,987,642.59	93,277,325.76	1,721,431.92	28,909,896.77	140,896,297.04
(1) Acquisition	1,640,224.66	35,193,990.81	1,134,800.14	28,388,732.60	66,357,748.21
(2) Construction in progress transferred	15,347,417.93	58,083,334.95	0.00	484,339.80	73,915,092.68
(3) Others	0.00	0.00	586,631.78	36,824.37	623,456.15
3. Decrease during the Period	1,354,502.70	21,909,237.47	2,940,068.64	4,111,276.41	30,315,085.22
(1) Disposal or written-off	1,354,502.70	21,909,237.47	2,940,068.64	4,111,276.41	30,315,085.22
4. Balance at the End of the Period	3,159,550,760.25	3,288,837,944.63	74,161,163.52	521,637,482.34	7,044,187,350.74
II. Accumulated depreciation					
1. Balance at the Beginning of the Year	1,218,610,625.65	1,661,188,155.68	56,530,426.24	280,067,297.49	3,216,396,505.06
2. Addition during the Period	74,535,536.90	123,235,324.03	3,831,539.41	30,222,196.14	231,824,596.48
(1) Provision	74,535,536.90	123,235,324.03	3,252,492.31	30,185,371.77	231,208,725.01
(2) Others	0.00	0.00	579,047.10	36,824.37	615,871.47
3. Decrease during the Period	510,915.26	11,405,297.19	2,689,491.65	3,361,409.47	17,967,113.57
(1) Disposal or written-off	510,915.26	11,405,297.19	2,689,491.65	3,361,409.47	17,967,113.57
4. Balance at the End of the Period	1,292,635,247.29	1,773,018,182.52	57,672,474.00	306,928,084.16	3,430,253,987.97
III. Provision for impairment					
1. Balance at the Beginning of the Year	21,409,013.65	24,890,943.73	41,578.65	1,140,003.86	47,481,539.89
2. Additions during the Period	0.00	0.00	0.00	0.00	0.00
(1) Provision	0.00	0.00	0.00	0.00	0.00
3. Amount decrease during the Period	0.00	1,246,282.84	0.00	381.51	1,246,664.35
(1) Disposal or written-off	0.00	1,246,282.84	0.00	381.51	1,246,664.35
4. Balance at the End of the Period	21,409,013.65	23,644,660.89	41,578.65	1,139,622.35	46,234,875.54
IV. Carrying amount					
1. Carrying amount at the End of the Period	1,845,506,499.31	1,492,175,101.22	16,447,110.87	213,569,775.83	3,567,698,487.23
2. Carrying amount at the Beginning of the Year	1,903,897,981.06	1,531,390,756.93	18,807,795.35	215,631,560.63	3,669,728,093.97

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

13. 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	10,377,690.05	0.00	3,865,598.62	
Machinery and equipment	33,001,119.78	29,313,734.26	663,576.62	3,023,808.90	
Electronic devices and others	1,431,002.00	1,297,028.13	0.00	133,973.87	
Total	48,675,410.45	40,988,452.44	663,576.62	7,023,381.39	

- 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	798,765.68

- ⑤ Fixed assets pending for certificate of ownership

Item	Carrying amount	Reasons for pending for certificate of ownership
Plant and building	160,203,553.48	Procedure in progress

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

14. Construction in progress

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Construction in progress	853,041,996.94	554,575,587.48
Construction supplies	0.00	0.00
Total	853,041,996.94	554,575,587.48

(1) Construction in progress

① Breakdown of construction in progress

Item	Balance at the End of the Period			Balance at the Beginning of the Year		
	Gross amount	Provision for impairment	Net carrying amount	Gross amount	Provision for impairment	Net carrying amount
Guangda New Factory Project (光大新廠項目)	244,731,213.54	0.00	244,731,213.54	179,745,064.48	0.00	179,745,064.48
Fuxing Company Phase I & II Projects and others (福興公司一、二期項目及其他)	55,792,535.39	0.00	55,792,535.39	36,580,114.83	0.00	36,580,114.83
Project of Shijiao New Factory (石角新廠項目)	67,954,038.81	0.00	67,954,038.81	61,845,397.73	0.00	61,845,397.73
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	38,783,326.13	0.00	38,783,326.13	19,579,452.17	0.00	19,579,452.17
Construction Project for Microsphere Workshop (including Gose) of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間(含戈舍)建設項目)	46,447,337.04	0.00	46,447,337.04	15,616,651.12	0.00	15,616,651.12
P06 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P06 建設項目)	90,092,594.58	0.00	90,092,594.58	83,020,966.01	0.00	83,020,966.01
Project of lyophilized powder injection workshop (凍乾粉針車間項目)	120,126,722.32	0.00	120,126,722.32	70,673,332.62	0.00	70,673,332.62
P09 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P09 建設項目)	129,454,273.32	0.00	129,454,273.32	54,924,595.61	0.00	54,924,595.61
P04/P05 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P04/P05 建設項目)	469,262.41	0.00	469,262.41	257,441.66	0.00	257,441.66
Technology transformation project for Microsphere Phase II of Shanghai Livzon (上海麗珠微球二期技改項目)	25,856,843.52	0.00	25,856,843.52	10,123,776.54	0.00	10,123,776.54
Others	33,503,190.34	169,340.46	33,333,849.88	22,378,135.17	169,340.46	22,208,794.71
Total	853,211,337.40	169,340.46	853,041,996.94	554,744,927.94	169,340.46	554,575,587.48

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

14. 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 Year	Additions during the Period	Transferred to fixed assets	Other deductions	Accumulated amount of capitalized interest	Of which: Amount of interest capitalized for the Period	Interest capitalization rate for the Period (%)	Balance at the End of the Period
Guangda New Factory Project (光大新廠項目)	179,745,064.48	64,986,149.06	0.00	0.00	0.00	0.00	0.00	244,731,213.54
Fuxing Company Phase I & II Projects and others (福興公司一、二期項目及其他)	36,580,114.83	42,774,239.62	23,361,819.06	0.00	0.00	0.00	0.00	55,792,535.39
Project of Shijiao New Factory (石角新廠項目)	61,845,397.73	6,108,641.08	0.00	0.00	0.00	0.00	0.00	67,954,038.81
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	19,579,452.17	38,569,073.78	19,365,199.82	0.00	0.00	0.00	0.00	38,783,326.13
Construction Project for Microsphere Workshop (including Gose) of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間(含戈舍)建設項目)	15,616,651.12	35,779,491.04	4,948,805.12	0.00	0.00	0.00	0.00	46,447,337.04
P06 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P06 建設項目)	83,020,966.01	7,071,628.57	0.00	0.00	0.00	0.00	0.00	90,092,594.58
Project of lyophilized powder injection workshop (凍乾粉針車間項目)	70,673,332.62	49,453,389.70	0.00	0.00	0.00	0.00	0.00	120,126,722.32
P09 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P09 建設項目)	54,924,595.61	89,157,562.20	14,627,884.49	0.00	0.00	0.00	0.00	129,454,273.32
P04/P05 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P04/P05 建設項目)	257,441.66	211,820.75	0.00	0.00	0.00	0.00	0.00	469,262.41
Technology transformation project for Microsphere Phase II of Shanghai Livzon (上海麗珠微球二期技改項目)	10,123,776.54	15,733,066.98	0.00	0.00	0.00	0.00	0.00	25,856,843.52
Others	22,378,135.17	27,671,149.18	11,411,384.19	5,134,709.82	0.00	0.00	0.00	33,503,190.34
Total	554,744,927.94	377,516,211.96	73,915,092.68	5,134,709.82	0.00	0.00	0.00	853,211,337.40

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

14. Construction in progress *(continued)*

(1) Construction in progress *(continued)*

② Changes of significant construction in progress *(continued)*

Name of Project	Budgeted amount	Percentage of accumulated cost incurred over budgeted amount (%)	Construction progress (%)	Sources of funds
Guangda New Factory Project (光大新廠項目)	646,000,000.00	37.88	38.00	Self-funding
Fuxing Company Phase I & II Projects and others (福興公司一、二期項目及其他)	378,090,800.00	78.39	79.00	Self-funding
Project of Shijiao New Factory (石角新廠項目)	377,005,000.00	61.50	62.00	Self-funding and raised funds
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	306,558,388.48	50.60	50.00	Self-funding
Construction Project for Microsphere Workshop (including Gose) of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間(含戈舍)建設項目)	262,445,000.00	67.59	68.00	Self-funding and raised funds
P06 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P06 建設項目)	117,710,000.00	76.54	77.00	Self-funding
Project of lyophilized powder injection workshop (凍乾粉針車間項目)	143,500,000.00	83.71	85.00	Self-funding and raised funds
P09 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P09 建設項目)	296,580,000.00	98.82	98.00	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	0.37	0.50	Self-funding
Technology transformation project for Microsphere Phase II of Shanghai Livzon (上海麗珠微球二期技改項目)	40,500,000.00	63.84	64.00	Self-funding
Others	—	—	—	Self-funding
Total	2,695,269,188.48	—	—	—

Other deduction mainly refers to transfer of long-term deferred expenses.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

15. Right-of-use assets

Item	Plant and building	Total
I. Original book value:		
1. Balance at the Beginning of the Year	31,740,896.48	31,740,896.48
2. Addition during the Period	16,013,133.16	16,013,133.16
(1) Leasing	16,013,133.16	16,013,133.16
3. Decrease during the Period	3,290,961.84	3,290,961.84
4. Balance at the End of the Period	44,463,067.80	44,463,067.80
II. Accumulated depreciation		
1. Balance at the Beginning of the Year	17,152,573.88	17,152,573.88
2. Addition during the Period	10,594,602.67	10,594,602.67
(1) Provision	10,594,602.67	10,594,602.67
3. Decrease during the Period	3,290,961.84	3,290,961.84
4. Balance at the End of the Period	24,456,214.71	24,456,214.71
III. Provision for impairment		
1. Balance at the Beginning of the Year	0.00	0.00
2. Addition during the Period	0.00	0.00
3. Decrease during the Period	0.00	0.00
4. Balance at the End of the Period	0.00	0.00
IV. Carrying amount		
1. Carrying amount at the End of the Period	20,006,853.09	20,006,853.09
2. Carrying amount at the Beginning of the Year	14,588,322.60	14,588,322.60

During the Period, the Company recognized lease expenses related to short-term leases and the leases of low-value assets of RMB1.7234 million.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

16. Intangible assets

(1) Status of Intangible assets

Item	Land use right	Patent and technical know-how	Software	Trademark rights	Others	Total
I. Original book value						
1. Balance at the Beginning of the Year	267,839,618.26	259,797,013.72	61,849,429.73	28,716.98	10,985,294.53	600,500,073.22
2. Additions for the Period	24,832,070.29	25,738,583.67	8,199,985.00	0.00	0.00	58,770,638.96
(1) Acquisition	24,832,070.29	0.00	8,199,985.00	0.00	0.00	33,032,055.29
(2) Internal R&D	0.00	25,738,583.67		0.00	0.00	25,738,583.67
3. Decrease for the Period	0.00	0.00	0.00	0.00	0.00	0.00
4. Balance at the End of the Period	292,671,688.55	285,535,597.39	70,049,414.73	28,716.98	10,985,294.53	659,270,712.18
II. Accumulated amortization						
1. Balance at the Beginning of the Year	87,279,651.56	194,460,431.65	41,681,441.05	24,196.55	5,584,191.37	329,029,912.18
2. Additions for the Period	2,777,448.42	5,029,815.48	2,846,370.40	235.86	549,264.72	11,203,134.88
(1) Provision	2,777,448.42	5,029,815.48	2,846,370.40	235.86	549,264.72	11,203,134.88
3. Decrease for the Period	0.00	0.00	0.00	0.00	0.00	0.00
4. Balance at the End of the Period	90,057,099.98	199,490,247.13	44,527,811.45	24,432.41	6,133,456.09	340,233,047.06
III. Provision for impairment						
1. Balance at the Beginning of the Year	981,826.94	10,209,166.76	0.00	0.00	0.00	11,190,993.70
2. Additions for the Period	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease for the Period	0.00	0.00	0.00	0.00	0.00	0.00
4. Balance at the End of the Period	981,826.94	10,209,166.76	0.00	0.00	0.00	11,190,993.70
IV. Carrying amount						
1. Carrying amount at the End of the Period	201,632,761.63	75,836,183.50	25,521,603.28	4,284.57	4,851,838.44	307,846,671.42
2. Carrying amount at the Beginning of the Year	179,578,139.76	55,127,415.31	20,167,988.68	4,520.43	5,401,103.16	260,279,167.34

The proportion of intangible assets created due to the internal R&D in the balance of intangible assets at the End of the Period is 12.97%.

(2) Intangible assets pending for certificates of ownership

Item	Carrying amount	Reasons for pending for certificate of ownership
Land use rights	4,101,535.62	Procedure in progress

(3) Notes to intangible assets

The land use rights represent the state-owned land use rights obtained by the Company in accordance with PRC laws in China, and the term of grant will be 50 years commencing from the date of obtaining the land use rights.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

17. Development Expenditure

Item	Balance at the Beginning of the Year	Increase in the Period		Decrease in the Period		Balance at the End of the Period
		Internal development expenditure	Other increases	Recognized as intangible assets	Recognized in profit and loss for current period	
Biologics	527,275,067.73	82,197,866.02	0.00	0.00	0.00	609,472,933.75
Chemical drug preparation	47,224,506.69	2,443,720.90	0.00	25,738,583.67	0.00	23,929,643.92
Total	574,499,574.42	84,641,586.92	0.00	25,738,583.67	0.00	633,402,577.67

Continued:

Item	Point of time for commencement of capitalization	Specific basis for capitalization	Progress of research and development at the End of the Period
Chemical drug preparation and biologics	Clinical trial	Obtain approval for clinical trial and evaluated by the Company	Clinical stage

18. Goodwill

(1) Original book value of goodwill

Name of investee or matter from which goodwill arose	Balance at the Beginning of the Year	Increase in the Period		Decrease in the Period		Balance at the End of the Period
		Arose from business combination	Others	Disposal	Others	
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	47,912,269.66	0.00	0.00	0.00	0.00	47,912,269.66
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	13,863,330.24	0.00	0.00	0.00	0.00	13,863,330.24
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	46,926,155.25	0.00	0.00	0.00	0.00	46,926,155.25
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	7,271,307.03	0.00	0.00	0.00	0.00	7,271,307.03
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	2,045,990.12	0.00	0.00	0.00	0.00	2,045,990.12
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	3,492,752.58	0.00	0.00	0.00	0.00	3,492,752.58
Total	121,511,804.88	0.00	0.00	0.00	0.00	121,511,804.88

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

18. Goodwill *(continued)*

(2) Provision for impairment of goodwill

Name of investee or matter from which goodwill arose	Balance at the Beginning of the Year	Increase in the Period		Decrease in the Period		Balance at the End of the Period
		Provision	Others	Disposal	Others	
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	11,200,000.00	0.00	0.00	0.00	0.00	11,200,000.00
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	7,271,307.03	0.00	0.00	0.00	0.00	7,271,307.03
Total	18,471,307.03	0.00	0.00	0.00	0.00	18,471,307.03

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

On the balance sheet date, the Company conducted impairment test on goodwill and adopted the asset groups related to goodwill to estimate the present value of the future cash flow when estimating the recoverable amount of the investment cost.

The estimated future cash flow of asset groups is calculated according to the five-year financial budget plan made by the management, the cash flows in the years beyond the five-year budget plan remain stable.

Key assumptions of discounted future cash flow for goodwill impairment test are as follows:

For the calculation of estimated present value of future cash flow of the asset groups related to goodwill of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), key assumptions are a gross margin of 79.53%-83.04% and a business revenue growth rate of 0~34.57% 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 61.89%-65.43% and a business revenue growth rate of 0~15.66% 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 57.90%-63.92% and a business revenue growth rate of 0~9.53% as well as a cash flow discount rate of 15.04%. The management took into account historical conditions and predictions for future market development in making above assumptions.

As tested, the management of the Company expects that no impairment provision is needed during the Reporting Period.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

19. Long-term deferred expenses

Item	Balance at the Beginning of the Year	Decrease during the Period			Balance at the End of the Period
		Increase during the Period	Amortisation for the Period	Other decrease	
Renovation costs of offices	26,599,587.46	1,624,869.15	1,692,089.63	0.00	26,532,366.98
Renovation costs of plants	74,731,372.11	6,292,373.34	4,600,501.66	0.00	76,423,243.79
Resins and fillers	11,991,390.44	10,889,968.14	5,988,530.64	0.00	16,892,827.94
License fee	12,777,758.86	0.00	751,632.90	0.00	12,026,125.96
Others	3,810,412.73	572,019.73	825,147.30	0.00	3,557,285.16
Total	129,910,521.60	19,379,230.36	13,857,902.13	0.00	135,431,849.83

20. 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 Beginning of the 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	188,819,442.53	29,245,896.43	191,603,446.21	30,344,548.62
Accrued expenses	212,520,510.62	32,088,351.90	184,336,656.34	27,892,985.40
Deductible losses	521,755,364.45	80,398,337.78	409,874,264.86	63,094,665.02
Deferred income	246,306,236.14	36,962,935.43	241,367,475.43	36,223,121.32
Unrealized gains from intra-company transactions	623,711,175.28	93,443,861.38	377,968,679.83	56,740,686.84
Share incentive costs	75,056,313.15	11,261,673.00	72,224,018.66	10,836,828.87
Changes in fair value	12,818,047.84	2,212,776.59	6,918,505.67	1,158,336.82
Other deductible temporary difference	197,203,275.30	29,584,702.86	176,023,429.17	26,403,514.38
Subtotal	2,078,190,365.31	315,198,535.37	1,660,316,476.17	252,694,687.27
Deferred income tax liabilities:				
Valuation of financial instruments held for trading and derivative financial instruments	16,507,990.79	2,556,409.29	18,105,558.19	2,935,580.59
Changes in fair value of other equity instruments through other comprehensive income	165,588,563.99	29,461,743.83	176,694,184.68	31,294,171.24
Accelerated depreciation of fixed assets	744,846,785.16	112,897,099.81	752,180,706.08	114,114,492.09
Unrealized gains from intra-company transactions	56,940,000.00	8,541,000.00	56,940,000.00	8,541,000.00
Subtotal	983,883,339.94	153,456,252.93	1,003,920,448.95	156,885,243.92

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

20. 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 Beginning of the Year
Deductible temporary difference	171,478,269.25	151,223,839.16
Deductible losses	1,643,941,980.11	1,332,176,863.60
Total	1,815,420,249.36	1,483,400,702.76

(3) Deductible losses of unrecognized deferred income tax assets will expire in the following years

Year	Balance at the End of the Period	Balance at the Beginning of the Year	Remarks
2022	128,253,709.00	128,253,709.00	
2023	176,728,053.24	176,728,053.24	
2024	383,514,201.98	383,514,201.98	
2025	249,336,816.98	249,350,933.70	
2026	373,303,911.05	373,305,346.92	
2027	227,764,601.22	0.00	
Indefinite	105,040,686.64	21,024,618.76	
Total	1,643,941,980.11	1,332,176,863.60	

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

21. Other non-current assets

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Remaining VAT credit	7,172,520.86	56,384,552.60
Prepayment for acquisition of project and equipment	225,431,875.95	324,600,274.91
Prepayment for acquisition of technical know-how	50,437,334.38	63,368,017.61
Total	283,041,731.19	444,352,845.12

22. Short-term loans

(1) Classification of short-term loans

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Loans on credit	1,607,775,000.02	1,191,402,152.77
Loans on guarantee	0.00	851,645,870.94
Total	1,607,775,000.02	2,043,048,023.71

For details of guarantees, please refer to Note X. 5(4) Related party guarantees.

(2) The Company has no overdue but outstanding short-term loans.

23. Financial liabilities held for trading

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Financial liabilities held for trading	5,954,536.12	143,302.24
Of which:		
Derivative financial liabilities	5,954,536.12	143,302.24
Total	5,954,536.12	143,302.24

Derivative financial liabilities represent foreign currency forward contracts, losses from unexpired contracts measured at fair value was recognised as financial liabilities held for trading at balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

24. Bills payables

Type	Balance at the End of the Period	Balance at the Beginning of the Year
Bank acceptance bills	1,166,319,640.57	1,026,619,858.93

The Company has no due but unpaid bills payables for the Period.

25. Accounts payables

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Within 3 months (including 3 months)	489,259,762.10	569,811,748.29
4 – 6 months (including 6 months)	79,248,968.14	78,398,915.35
7 – 12 months (including 12 months)	104,444,258.32	93,407,857.60
1 – 2 years (including 2 years)	43,558,588.35	30,816,426.65
Over 2 years	25,948,682.70	18,244,753.40
Total	742,460,259.61	790,679,701.29

As at the End of the Period, there was no significant accounts payables aged over 1 year.

26. Contract liabilities

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Within 1 year	28,771,680.45	144,546,813.74
Over 1 year	26,611,633.20	23,249,955.08
Total	55,383,313.65	167,796,768.82

As at the End of the Period, there was no significant contract liabilities aged over 1 year; the amount of income recognized during the Period which was included in the carrying amount of the contract liabilities at the Beginning of the Year is RMB127,293,814.11.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

27. Employee benefits payables

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Short-term remuneration	295,479,547.19	752,360,003.59	802,628,406.27	245,211,144.51
Post-resignation benefits – defined contribution plans	22,203.70	42,521,123.68	42,541,763.58	1,563.80
Dismissal benefits	1,282,742.00	168,575.00	168,575.00	1,282,742.00
Total	296,784,492.89	795,049,702.27	845,338,744.85	246,495,450.31

(1) Short-term remuneration

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Salaries, bonuses, allowances and subsidies	229,101,688.95	680,702,897.81	735,254,726.54	174,549,860.22
Employee welfare	1,029,292.11	22,253,215.87	22,521,779.23	760,728.75
Social insurance fees	45,696.76	16,379,173.49	16,418,446.90	6,423.35
Including:				
1. Medical insurance fees	45,543.46	15,080,364.54	15,119,484.65	6,423.35
2. Work-related injury insurance fees	153.30	743,450.90	743,604.20	0.00
3. Maternity insurance fees	0.00	555,358.05	555,358.05	0.00
Housing provident fund	235,048.00	17,428,523.75	17,287,583.35	375,988.40
Labour union fees and employee education fees	102,349.99	1,140,748.31	1,145,870.25	97,228.05
Special funds of the share ownership scheme	64,965,471.38	14,455,444.36	10,000,000.00	69,420,915.74
Total	295,479,547.19	752,360,003.59	802,628,406.27	245,211,144.51

(2) Defined contribution plan

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Post-resignation benefits	22,203.70	42,521,123.68	42,541,763.58	1,563.80
Including:				
1. Basic pension insurance fees	21,315.50	41,365,355.66	41,386,671.16	0.00
2. Unemployment insurance fees	888.20	1,155,768.02	1,155,092.42	1,563.80
Total	22,203.70	42,521,123.68	42,541,763.58	1,563.80

The Company participates in pension insurance and unemployment insurance plans established by the government in accordance with relevant requirements. According to the plans, the Company makes contributions to these plans in accordance with relevant requirements of the local government. Save for the above contributions, the Company no longer undertakes further payment obligation. The corresponding cost is charged to the profit or loss for the current period or the cost of relevant assets when it occurs.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

28. Taxes and surcharge payables

	Balance at the End of the Period	Balance at the Beginning of the Year
Taxes		
Value added tax	73,347,636.99	44,337,454.51
Urban maintenance and construction tax	7,337,159.76	4,802,713.91
Enterprise income tax	164,589,125.67	97,452,600.10
Property tax	6,767,662.02	1,716,303.78
Land use tax	2,008,528.77	815,872.35
Individual income tax	61,809,896.39	6,647,280.12
Stamp duty	633,411.06	460,894.13
Education surcharges	4,315,965.86	2,945,205.26
Flood prevention fees	20,300.76	20,300.76
Others	1,112,871.28	1,186,627.07
Total	321,942,558.56	160,385,251.99

29. Other payables

	Balance at the End of the Period	Balance at the Beginning of the Year
Item		
Dividends payable	45,749,661.79	6,951,984.46
Other payables	2,543,574,926.91	2,409,888,983.64
Total	2,589,324,588.70	2,416,840,968.10

(1) Dividends payable

	Balance at the End of the Period	Balance at the Beginning of the Year
Item		
Dividends on ordinary shares	20,174.46	20,174.46
Qingyuan Xinbeijiang (Group) Company (清遠新北江企業(集團)公司)	1,200,710.00	1,200,710.00
Other legal persons and individual shares of subsidiaries	12,351,300.00	3,311,300.00
Staff shares of subsidiaries	11,059,800.00	2,419,800.00
Topsino Industries Limited (天誠實業有限公司)	21,117,677.33	0.00
Total	45,749,661.79	6,951,984.46

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

29. Other payables *(continued)*

(1) Dividends payable *(continued)*

Important dividends payable outstanding over 1 year:

Name of shareholder	Amount of dividends payable	Reason for non-payment
Qingyuan Xinbeijiang (Group) Company (清遠新北江企業(集團)公司)	1,200,710.00	Not yet paid
Other legal persons and individual shares of subsidiaries	3,311,300.00	Not yet paid
Staff shares of subsidiaries	2,419,800.00	Not yet paid
Total	6,931,810.00	—

(2) Other payables

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Office expenses	60,187,747.86	66,336,710.07
Deposits under guarantees	74,637,096.26	74,812,102.32
Business promotion expenses	1,597,376,923.89	1,356,176,259.20
Technology transfer funds	10,000,000.00	10,000,000.00
Balance with associates	12,357,398.79	9,908,703.16
Accrued expenses	750,592,969.50	860,353,775.21
Others	38,422,790.61	32,301,433.68
Total	2,543,574,926.91	2,409,888,983.64

The obligations of repurchasing restricted shares of the Directors, the senior management and their spouses amounted to RMB0.00 at the End of the Period.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

29. Other payables (continued)

(2) Other payables (continued)

Of which, the breakdown of accrued expenses was as follows:

Item	Balance at the End of the Period	Balance at the Beginning of the Year	Reason for outstanding at the End of the Period
Utilities expenses	15,796,617.00	17,799,443.58	Not yet settled
Research expenses	28,761,380.34	121,414,153.46	Not yet settled
Business promotion expenses	643,084,077.37	655,439,797.51	Not yet settled
Business meeting expenses	10,381,521.49	9,739,714.86	Not yet settled
Advisory, consultancy and information disclosure expenses	5,270,541.09	3,431,035.77	Not yet settled
Others	47,298,832.21	52,529,630.03	Not yet settled
Total	750,592,969.50	860,353,775.21	

30. Non-current liabilities due within one year

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Lease liabilities due within one year	11,940,736.85	9,284,335.86

31. Other current liabilities

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Tax for items pending for settlement	3,911,435.31	13,485,363.41

32. Long-term loans

Item	Balance at the End of the Period	Interest rate range	Balance at the Beginning of the Year	Interest rate range
Loans on credit	279,000,000.00	3.20%	636,780,252.78	3.55%-3.60%
Guaranteed loans	1,384,726,004.58	2.70%-3.60%	0.00	
Subtotal	1,663,726,004.58		636,780,252.78	
Less: Long-term loans due within 1 year	0.00		0.00	
Total	1,663,726,004.58		636,780,252.78	

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

33. Lease liabilities

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Amount payable under lease	20,367,720.69	14,558,576.66
Less: Lease liabilities due within one year	11,940,736.85	9,284,335.86
Total	8,426,983.84	5,274,240.80

In January to June 2022, the amount of interest expenses of lease liabilities was RMB0.5951 million, which was recorded in finance expenses – interest expenses.

34. Deferred income

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period	Reason
Government grants	258,882,992.46	70,603,700.00	39,701,203.03	289,785,489.43	

For details of the government grants included in deferred income, see Note V. 62. Government grants.

35. Other non-current liabilities

Item	Balance at the End of the Period	Balance at the Beginning of the Year
The overall relocation and expansion project of Sichuan Guangda Pharmaceutical Manufacturing	84,000,000.00	78,000,000.00

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

36. Share capital

January to June 2022

Item	Balance at the Beginning of the Year		Changes for the Period (+ -)					Balance at the End of the Period	
	Amount	Percentage (%)	Issuance of new shares	No. of bonus shares	Reserve fund capitalized	Others	Subtotal	Amount	Percentage (%)
I. Shares subject to selling restrictions									
1. State-owned shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. State-owned legal person shares	17,306,329	1.85	0.00	0.00	0.00	0.00	0.00	17,306,329	1.85
3. Other domestic shares	2,501,537	0.26	0.00	0.00	0.00	0.00	0.00	2,501,537	0.27
Of which: Domestic legal person shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Domestic natural person shares	2,501,537	0.26	0.00	0.00	0.00	0.00	0.00	2,501,537	0.27
Funds and wealth management products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Foreign shares	53,235	0.01	0.00	0.00	0.00	0.00	0.00	53,235	0.01
Of which: Overseas legal person shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Overseas natural person shares	53,235	0.01	0.00	0.00	0.00	0.00	0.00	53,235	0.01
Shares subject to selling restrictions in aggregate	19,861,101	2.12	0.00	0.00	0.00	0.00	0.00	19,861,101	2.13
II. Shares not subject to selling restrictions									
1. Ordinary shares denominated in RMB	604,768,403	64.48	496,836	0.00	0.00	-3,404,400	-2,907,564	601,860,839	64.37
2. Domestically listed foreign shares (B-share)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Overseas listed foreign shares (H-share)	313,235,617	33.40	0.00	0.00	0.00	0.00	0.00	313,235,617	33.50
4. Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares not subject to selling restrictions in aggregate	918,004,020	97.88	496,836	0.00	0.00	-3,404,400	-2,907,564	915,096,456	97.87
III. Total number of shares	937,865,121	100.00	496,836	0.00	0.00	-3,404,400	-2,907,564	934,957,557	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 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

36. Share capital (continued)

January to June 2021

Item	Balance at the Beginning of the Year		Changes for the Period (+ -)					Balance at the End of the Period	
	Amount	Percentage (%)	Issuance of new shares	No. of bonus share	Reserve fund capitalized	Others	Subtotal	Amount	Percentage (%)
I. Shares subject to selling restrictions									
1. State-owned shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. State-owned legal person shares	17,306,329	1.83	0.00	0.00	0.00	0.00	0.00	17,306,329	1.85
3. Other domestic shares	2,322,294	0.25	133,087	0.00	0.00	0.00	133,087	2,455,381	0.26
Of which: Domestic legal person shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Domestic natural person shares	2,322,294	0.25	133,087	0.00	0.00	0.00	133,087	2,455,381	0.26
Funds and wealth management products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Foreign shares	30,420	0.00	22,815	0.00	0.00	0.00	22,815	53,235	0.01
Of which: Overseas legal person shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Overseas natural person shares	30,420	0.00	22,815	0.00	0.00	0.00	22,815	53,235	0.01
Shares subject to selling restrictions in aggregate	19,659,043	2.08	155,902	0.00	0.00	0.00	155,902	19,814,945	2.12
II. Shares not subject to selling restrictions									
1. Ordinary shares denominated in RMB	605,312,136	64.07	3,485,149	0.00	0.00	-6,093,808	-2,608,659	602,703,477	64.41
2. Domestically listed foreign shares (B-share)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Overseas listed foreign shares (H-share)	319,864,217	33.85	0.00	0.00	0.00	-6,628,600	-6,628,600	313,235,617	33.47
4. Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares not subject to selling restrictions in aggregate	925,176,353	97.92	3,485,149	0.00	0.00	-12,722,408	-9,237,259	915,939,094	97.88
III. Total number of shares	944,835,396	100.00	3,641,051	0.00	0.00	-12,722,408	-9,081,357	935,754,039	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 2,508,616 locked shares held by the senior management.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

37. Capital reserve

January to June 2022

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Share premium	1,438,013,828.65	16,333,156.16	67,906,247.42	1,386,440,737.39
Other capital reserve	191,342,745.69	12,361,142.33	0.00	203,703,888.02
Total	1,629,356,574.34	28,694,298.49	67,906,247.42	1,590,144,625.41

The increase in the share premium for the Period represented: ① an increase in share premium of RMB15,913,381.23 as a result of the effective exercise of 496,836 share options during the Period; ② upon the exercise of share options, pursuant to the taxation rules, the difference between deductible expenses before taxation and the amount of provision reduced income tax payable by RMB419,774.93, the share premium was increased accordingly. The decrease in the share premium for the Period represented the decrease in share premium caused by cancellation of 3,404,400 repurchased shares.

Other capital reserve increase for the Period represented: withdrawal of share incentive expenses of RMB12,361,142.33.

January to June 2021

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Share premium	1,456,572,347.73	126,808,248.68	403,988,537.56	1,179,392,058.85
Other capital reserve	103,797,369.96	11,169,675.11	0.00	114,967,045.07
Total	1,560,369,717.69	137,977,923.79	403,988,537.56	1,294,359,103.92

The increase in the share premium for the Period represented: ① an increase in share premium of RMB124,537,459.62 as a result of the effective exercise of 3,641,051 share options during the Period; ② upon the exercise of share options, pursuant to the taxation rules, the difference between deductible expenses before taxation and the amount of provision reduced income tax payable by RMB1,891,160.08, the share premium was increased accordingly; ③ the increase in share premium by disproportionate capital decrease to a subsidiary due to the difference of RMB379,628.98 between the capital contribution and the corresponding share of net assets of the subsidiary. The decrease in the share premium for the Period represented the decrease in share premium caused by cancellation of 12,722,408 repurchased shares.

Other capital reserve increased for the Period represented: ① withdrawal of share incentive expenses of RMB9,556,686.30; ② capital reserve increase of RMB1,612,988.81 due to changes in shareholding percentage of the Company as well as other changes in equity caused by disproportionate capital increase under the equity method.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

38. Treasury shares

January to June 2022

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Repurchase of A Shares and H Shares	71,209,491.00	0.00	71,209,491.00	0.00

The decrease in treasury shares for the Period represented: the cancellation of repurchased shares.

January to June 2021

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Repurchase of A Shares	250,061,413.16	166,649,532.40	416,710,945.56	0.00

The increase in treasury shares for the Period represented: the repurchase of the total amount of capital used for 6,628,600 H Shares through centralized bidding transactions by the Company. The decrease in treasury shares for the Period represented: the cancellation of repurchased shares.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

39. Other comprehensive income

January to June 2022

Item	Balance at the Beginning of the Year ⁽¹⁾	Amount incurred before income tax for the Period	Less: amount recognized in other comprehensive income in previous period transferred to profit and loss or retained earnings for current period	Amount for the Period			Balance at the End of the Period ⁽³⁾⁼⁽¹⁾⁺⁽²⁾
				Less: income tax expenses	Attributable to parent company after tax ⁽²⁾	Attributable to minority interests after tax	
I. Other comprehensive income not to be reclassified into profit or loss	142,776,392.38	-4,849,941.70	0.00	-1,756,596.80	-3,223,853.13	130,508.23	139,552,539.25
1. Other comprehensive income not to be reclassified into profit or loss under equity method	14,820,196.44	2,476,997.86	0.00	0.00	2,476,997.86	0.00	17,297,194.30
2. Change in fair value of investments in other equity instruments	127,956,195.94	-7,326,939.56	0.00	-1,756,596.80	-5,700,850.99	130,508.23	122,255,344.95
II. Other comprehensive income to be reclassified into profit or loss	-96,227,394.68	36,169,172.79	0.00	0.00	35,098,022.83	1,071,149.96	-61,129,371.85
1. Other comprehensive income to be reclassified into profit or loss under equity method	84,798.45	0.00	0.00	0.00	0.00	0.00	84,798.45
2. Translation differences of financial statements denominated in foreign currency	-96,312,193.13	36,169,172.79	0.00	0.00	35,098,022.83	1,071,149.96	-61,214,170.30
Total other comprehensive income	46,548,997.70	31,319,231.09	0.00	-1,756,596.80	31,874,169.70	1,201,658.19	78,423,167.40

January to June 2021

Item	Balance at the Beginning of the Year ⁽¹⁾	Amount incurred before income tax for the Period	Less: amount recognized in other comprehensive income in previous period transferred to profit and loss or retained earnings for current period	Amount for the Period			Balance at the End of the Period ⁽³⁾⁼⁽¹⁾⁺⁽²⁾
				Less: income tax expenses	Attributable to parent company after tax ⁽²⁾	Attributable to minority interests after tax	
I. Other comprehensive income not to be reclassified into profit or loss	241,169,897.47	42,441,929.54	171,926,789.47	6,502,084.16	-135,902,397.80	-84,546.29	105,267,499.67
1. Change in fair value of investments in other equity instruments	241,169,897.47	42,441,929.54	171,926,789.47	6,502,084.16	-135,902,397.80	-84,546.29	105,267,499.67
II. Other comprehensive income to be reclassified into profit or loss	-71,186,096.91	-11,561,907.91	0.00	0.00	-10,986,186.68	-575,721.23	-82,172,283.59
1. Other comprehensive income to be reclassified into profit or loss under equity method	115,066.72	0.00	0.00	0.00	0.00	0.00	115,066.72
2. Translation differences of financial statements denominated in foreign currency	-71,301,163.63	-11,561,907.91	0.00	0.00	-10,986,186.68	-575,721.23	-82,287,350.31
Total other comprehensive income	169,983,800.56	30,880,021.63	171,926,789.47	6,502,084.16	-146,888,584.48	-660,267.52	23,095,216.08

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

40. Surplus reserve

January to June 2022

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Statutory surplus reserve	577,212,833.75	0.00	0.00	577,212,833.75
Discretionary surplus reserve	63,796,201.34	0.00	0.00	63,796,201.34
Reserve funds	82,108,376.71	0.00	0.00	82,108,376.71
Enterprise Development Fund	21,683,742.35	0.00	0.00	21,683,742.35
Total	744,801,154.15	0.00	0.00	744,801,154.15

January to June 2021

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Statutory surplus reserve	577,212,833.75	0.00	0.00	577,212,833.75
Discretionary surplus reserve	63,796,201.34	0.00	0.00	63,796,201.34
Reserve funds	82,108,376.71	0.00	0.00	82,108,376.71
Enterprise Development Fund	21,683,742.35	0.00	0.00	21,683,742.35
Total	744,801,154.15	0.00	0.00	744,801,154.15

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

41. Retained earnings

(1) Movement in retained earnings

Item	Amount for the Period	Amount for Previous Period	Allocation or appropriation proportion
Retained earnings at the End of the Previous Period before adjustment	9,716,401,275.28	8,937,313,245.63	—
Adjustment for total retained earnings at the Beginning of the Year (+ for increase, – for decrease)	0.00	0.00	—
Retained earnings at the Beginning of the Year after adjustment	9,716,401,275.28	8,937,313,245.63	
Add: Net profit attributable to owners of the parent company for the Period	1,017,545,790.03	1,062,475,917.41	—
Gains on disposal of investment in other equity instruments	0.00	171,926,789.47	—
Less: Appropriation to statutory surplus reserve	0.00	0.00	10%
Appropriation to discretionary surplus reserve	0.00	0.00	
Dividends payable to ordinary shares	1,215,353,502.40	1,168,522,010.83	
Dividends of ordinary shares capitalized	0.00	0.00	
Retained earnings at the End of the Period	9,518,593,562.91	9,003,193,941.68	

Breakdown of adjustments to the retained earnings as at the Beginning of the Period:

- ① The effect of the retrospective adjustments arising from the 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 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

41. Retained earnings *(continued)*

(2) Notes to appropriation of profits

Item	The Period	Unit: RMB'000
		Previous Period
Dividends:		
Final dividends for 2021 paid during the Year (Note 1)	1,194,235.83	
Final dividends for 2020 paid during the Year (Note 2)	—	1,139,814.78
Dividends declared after balance sheet date:		
Final dividends for 2021 (Note 1)	—	—
Final dividends for 2020 (Note 2)	—	1,168,522.01

Note 1: On 28 March 2022, the 2021 Annual Profit Distribution Plan was resolved and approved at the 28th meeting of the tenth session of the Board of the Company, it is expected to distribute cash dividend of RMB13.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2021 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized. The profit distribution plan was approved at the general meeting held on 20 May 2022 and RMB1,194,235,825.07 was paid by 30 June 2022.

Note 2: On 22 March 2021, the 2020 Annual Profit Distribution Plan was resolved and approved at the 14th meeting of the tenth session of the Board of the Company, it is expected to distribute cash dividend of RMB12.50 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2020 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized. The profit distribution plan was approved at the general meeting held on 20 May 2021 and RMB1,139,814,781.15 was paid by 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

42. 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	6,239,730,885.56	2,147,073,871.95	6,193,787,467.88	2,091,314,475.47
Other activities	62,834,325.04	44,730,188.20	41,743,568.40	33,798,225.02
Total	6,302,565,210.60	2,191,804,060.15	6,235,531,036.28	2,125,112,700.49

The Company operates in a single operating segment in the PRC, i.e. the manufacture of pharmaceuticals. Accordingly, no information on operating segment of the Company is presented.

(2) Operating income and operating costs presented by product types

Item	Amount for the Period		Amount for Previous Period	
	Income	Cost	Income	Cost
Principal activities:				
Chemical drug preparation products	3,673,726,432.00	768,969,064.16	3,730,533,847.07	762,424,475.03
APIs and Intermediates	1,729,342,519.18	1,076,729,669.00	1,462,311,923.98	1,011,958,744.70
Traditional Chinese drug preparation products	490,619,490.51	137,318,575.64	610,258,117.05	159,999,266.21
Diagnostic reagents and equipment	346,042,443.87	164,056,563.15	390,683,579.78	156,931,989.53
Subtotal	6,239,730,885.56	2,147,073,871.95	6,193,787,467.88	2,091,314,475.47
Other activities:				
Sales materials	29,050,939.01	18,208,019.69	9,506,530.14	8,472,340.43
Leasing income	3,328,051.32	936,325.69	2,544,991.61	5,560.54
Processing income	5,390,487.73	3,406,618.36	613,753.26	656,943.17
Supply of power	4,905,474.40	4,764,588.59	4,066,079.79	3,983,830.10
Technology transfer	0.00	0.00	308,459.70	1,067,509.22
Others	20,159,372.58	17,414,635.87	24,703,753.90	19,612,041.56
Subtotal	62,834,325.04	44,730,188.20	41,743,568.40	33,798,225.02
Total	6,302,565,210.60	2,191,804,060.15	6,235,531,036.28	2,125,112,700.49

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

42. Operating income and operating cost *(continued)*

(3) Operating income and operating costs presented by major operating regions

Item	Amount for the Period		Amount for Previous Period	
	Income	Cost	Income	Cost
Domestic	5,384,558,203.78	1,689,043,069.92	5,407,801,582.14	1,597,504,695.96
Overseas	855,172,681.78	458,030,802.03	785,985,885.74	493,809,779.51
Total	6,239,730,885.56	2,147,073,871.95	6,193,787,467.88	2,091,314,475.47

(4) Operating income and operating costs presented by time of income recognition

Item	Amount for the Period		Amount for Previous Period	
	Income	Cost	Income	Cost
Commodities (recognized at a point of time)	6,239,730,885.56	2,147,073,871.95	6,193,787,467.88	2,091,314,475.47

43. Taxes and surcharges

Item	Amount for the Period	Amount for Previous Period
Urban maintenance and construction tax	28,343,024.14	29,517,914.85
Education surcharges	21,068,277.75	22,921,598.94
Land use tax	3,268,118.47	3,056,759.10
Property tax	9,651,412.59	9,354,989.50
Stamp duty	4,387,634.74	5,581,437.39
Vehicle and vessel usage tax	30,349.78	25,868.16
Environmental protection tax	163,115.33	144,522.54
Others	362,543.21	365,317.96
Total	67,274,476.01	70,968,408.44

Note: The bases of calculations for major taxes and surcharges are set out in Note IV. Taxation.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

44. Selling expenses

Item	Amount for the Period	Amount for Previous Period
Marketing and promotional expenses	1,648,920,025.22	1,829,539,963.43
Staff salaries	206,666,092.40	162,989,068.75
Office, entertainment and travelling expenses	19,123,383.21	24,210,298.51
Business meeting expenses	8,314,450.92	5,792,341.57
Others	20,551,974.41	22,638,403.29
Total	1,903,575,926.16	2,045,170,075.55

45. Administrative expenses

Item	Amount for the Period	Amount for Previous Period
Staff salaries	139,772,421.24	108,768,867.07
Share incentive expenses	10,488,471.09	12,038,784.18
Depreciation and amortization	38,463,644.39	40,319,050.30
Loss on suspension of operations	80,816,122.05	31,503,927.79
Advisory, consultancy and information disclosure fees	8,588,707.29	10,127,358.85
Quality project expenses	11,250,121.78	17,217,491.18
Office, entertainment and travelling expenses	16,431,643.95	18,828,573.07
Repair of utilities, transportation and miscellaneous expenses	12,150,026.47	16,655,773.74
Recruitment and staff training expenses	2,312,208.02	4,315,304.64
Auditors' fees	1,159,433.96	1,262,641.51
Others	33,440,004.14	29,039,769.79
Total	354,872,804.38	290,077,542.12

46. R&D expenses

Item	Amount for the Period	Amount for Previous Period
Material costs	110,114,320.30	114,224,564.53
Staff salaries	158,798,812.54	146,352,784.21
Share incentive expenses	9,799,989.00	175,632.62
Testing fees	203,020,721.54	180,700,758.42
Depreciation and amortization	44,082,855.70	32,120,236.51
Others	28,703,284.65	33,294,899.79
Total	554,519,983.73	506,868,876.08

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

47. Finance expenses

Item	Amount for the Period	Amount for Previous Period
Interest expenses	47,426,938.27	36,051,011.53
Less: Interest income	99,742,075.90	65,140,139.66
Exchange (gains)/losses	-45,268,492.69	1,483,972.10
Commission charges and others	2,072,483.81	2,591,374.25
Total	-95,511,146.51	-25,013,781.78

48. Other income

Items of grants (sources of other income)	Amount for the Period	Amount for Previous Period	Related to assets/income
Government grants	31,434,145.40	23,247,572.57	Related to assets
Government grants	48,512,768.42	91,916,420.37	Related to income
Tax withholding commission charges	2,493,737.67	1,558,060.20	
Total	82,440,651.49	116,722,053.14	

For specific information on government grants, please refer to Note V. 62. Government grants for details; for reasons of government grants which are extraordinary gains or losses items, please refer to Note XVII. 1.

49. Investment income

Item	Amount for the Period	Amount for Previous Period
Long-term equity investments income under equity method	37,182,113.99	5,963,636.97
Investment income from disposal of long-term equity investments	0.00	2,423,029.20
Investment income from financial assets held for trading during the holding period	306,527.56	75,810.76
Dividend income from other equity instrument investments	0.00	8,153,391.88
Investment income from disposal of financial assets held for trading	-846,518.69	18,487,393.04
Total	36,642,122.86	35,103,261.85

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

50. 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	-82,966,811.24	35,276,790.02
Of which: Debt instrument investments	13,515.95	17,055.84
Equity instrument investments	-77,518,854.18	43,142,356.83
Derivative financial assets	-5,461,473.01	-7,882,622.65
Financial liabilities held for trading	-5,811,233.88	-480,891.07
Of which: Derivative financial liabilities	-5,811,233.88	-480,891.07
Total	-88,778,045.12	34,795,898.95

51. Credit impairment loss ("-" represents losses)

Item	Amount for the Period	Amount for Previous Period
Bad debt loss of accounts receivables	-1,820,125.05	-7,908,310.01
Bad debt loss of other receivables	-1,618,254.51	-670,920.47
Total	-3,438,379.56	-8,579,230.48

52. Asset impairment loss ("-" represents losses)

Item	Amount for the Period	Amount for Previous Period
Loss on obsolete stocks	-27,233,126.37	-28,522,631.76
Impairment loss on fixed assets	0.00	-90,481.03
Total	-27,233,126.37	-28,613,112.79

53. Gains on disposal of assets

Item	Amount for the Period	Amount for Previous Period
Gains on disposal of fixed assets ("-" represents losses)	-510,518.91	317,121.46

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

54. Non-operating income

Item	Amount for the Period	Amount for Previous Period	Amount charged to extraordinary gains or losses during the Period
Gains on destruction or retirement of non-current assets	377,696.90	116,840.29	377,696.90
Income from scraps	1,115,529.98	1,887,207.65	1,115,529.98
Compensation income	122,240.53	270,079.01	122,240.53
Waiver of payables	651,801.74	390,917.12	651,801.74
Others	1,131,526.25	1,129,732.64	1,131,526.25
Total	3,398,795.40	3,794,776.71	3,398,795.40

55. Non-operating expenses

Item	Amount for the Period	Amount for Previous Period	Amount charged to extraordinary gains or losses during the Period
Charitable donation expenses	3,199,087.00	1,978,697.53	3,199,087.00
Loss on destruction or retirement of non-current assets	1,974,227.42	2,041,794.31	1,974,227.42
Others	804,759.15	701,494.05	804,759.15
Total	5,978,073.57	4,721,985.89	5,978,073.57

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

56. 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	269,246,306.96	154,520,918.96
Of which: Domestic enterprise income tax	269,246,306.96	154,224,294.27
Corporate income tax in Hong Kong and Macau	0.00	296,624.69
Deferred income tax expenses	-64,176,242.29	36,863,644.54
Total	205,070,064.67	191,384,563.50

(2) Reconciliation between income tax expenses and total profit is set out below:

Item	Amount for the Period	Amount for Previous Period
Total profit	1,322,572,532.90	1,371,165,998.33
Income tax expenses calculated at statutory tax rate	330,643,133.23	342,791,499.58
Effect of different tax rates applicable to subsidiaries	7,295,912.75	-3,746,526.88
Effect of tax reduction and exemption	-205,902,416.68	-192,948,178.90
Effect of non-taxable income	-91,691.62	-7,526,440.91
Effect of using the equity method	-5,357,409.76	-633,490.92
Effect of non-deductible expenses	2,192,456.09	3,990,037.31
Credit (Charge) on deductible temporary differences on which deferred income tax assets are not recognized for the Year	3,448,186.37	2,426,584.31
Deductible losses of deferred income tax assets not recognized for the Year	70,772,003.04	51,633,213.60
Utilization of deductible losses of deferred income tax assets not recognized in prior periods	-3,888.15	-2,985,808.11
Others	2,073,779.40	-1,616,325.58
Income tax expenses	205,070,064.67	191,384,563.50

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

57. Earnings per share

Basic earnings per share was calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares of the parent company outstanding.

Diluted earnings per share was calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the parent company after the adjustment of dilutive potential ordinary shares by the weighted average number of ordinary shares of the Company outstanding after adjustment. In calculating the weighted average number of shares increased after conversion of dilutive potential ordinary shares into issued ordinary shares, the dilutive potential ordinary shares which were issued in previous periods are assumed to be converted at the beginning of current year and the dilutive potential ordinary shares which were issued during the current year are assumed to be converted at the date of issue.

The calculation of basic and diluted earnings per share is as follows:

Calculation of earnings per share	Amount for the Period	Amount for Previous Period
Net profit attributable to ordinary shareholders of the parent company	1,017,545,790.03	1,062,475,917.41
Of which: Net profit from continuing operations	1,017,545,790.03	1,062,475,917.41
Net profit from discontinued operations	0.00	0.00
Weighted average number of ordinary shares of the Company outstanding	934,764,489	934,574,071
Effect of dilution – weighted average number of ordinary shares (share options)	108,440	1,399,000
Weighted average number of ordinary shares of the Company outstanding after adjustment	934,872,929	935,973,071
Basic earnings per share	1.09	1.14
Of which: Basic earnings per share of continuing operations	1.09	1.14
Basic earnings per share of discontinued operations	–	–
Diluted earnings per share	1.09	1.14
Of which: Diluted earnings per share of continuing operations	1.09	1.14
Diluted earnings per share of discontinued operations	–	–

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

58. 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	112,925,410.79	112,755,484.75
Interest income	83,534,714.82	65,140,139.66
Deposits for letter of credit/bank acceptance bills	971,483.92	4,362,026.06
Movements in capital and others	47,044,761.60	36,462,891.31
Total	244,476,371.13	218,720,541.78

(2) Cash paid relating to other operating activities

Item	Amount for the Period	Amount for Previous Period
Business promotion expenses	1,833,144,292.86	2,024,929,519.01
R&D expenses	275,783,628.83	380,677,147.94
Bank charges	2,072,483.81	2,591,374.25
Deposits for letter of credit and bank acceptance bills	836,483.92	3,692,342.07
Other expenses paid	195,647,425.05	253,811,893.80
Movements in capital and others	7,893,141.52	15,565,869.66
Total	2,315,377,455.99	2,681,268,146.73

(3) Cash received relating to other investing activities

Item	Amount for the Period	Amount for Previous Period
Deposits under guarantee	190,000.00	121,000.00
Compensation for demolition	6,000,000.00	0.00
Others	0.00	1,600.00
Total	6,190,000.00	122,600.00

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

58. Notes to cash flow statement items *(continued)*

(4) Cash paid relating to other investing activities

Item	Amount for the Period	Amount for Previous Period
Deposits under guarantee	325,000.00	165,000.00
Foreign exchange forward contract losses	10,091,161.61	1,397,587.39
Others	150.00	3,658.70
Total	10,416,311.61	1,566,246.09

(5) Cash received relating to other financing activities

Item	Amount for the Period	Amount for Previous Period
Collection and advance payment of individual income tax	910,216.50	1,211,582.95

(6) Cash paid relating to other financing activities

Item	Amount for the Period	Amount for Previous Period
Repurchase of shares and commission charges	101,156.42	166,649,532.40
Capital reduction in minority interests in subsidiary	0.00	618,262,191.00
Collection and advance payment of individual income tax	1,237,210.80	2,531,100.50
Rental	11,208,601.06	0.00
Total	12,546,968.28	787,442,823.90

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

59. 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	1,117,502,468.23	1,179,781,434.83
Add: Asset impairment loss	27,233,126.37	28,613,112.79
Credit impairment loss	3,438,379.56	8,579,230.48
Depreciation of fixed assets	231,208,725.01	202,152,609.66
Amortization of right-of-use assets	10,594,602.67	0.00
Amortization of intangible assets	11,203,134.88	8,330,667.72
Amortization of long-term deferred expenses	13,857,902.13	13,550,015.53
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" represents gains)	510,518.91	-317,121.46
Loss on retirement of fixed assets ("-" represents gains)	1,596,530.52	1,924,954.02
Loss on fair value change ("-" represents gains)	88,778,045.12	-34,795,898.95
Finance expenses ("-" represents gains)	22,806,627.64	49,726,769.70
Investment losses ("-" represents gains)	-36,642,122.86	-35,103,261.85
Decrease in deferred income tax assets ("-" represents increase)	-62,579,678.71	31,407,678.49
Increase in deferred income tax liabilities ("-" represents decrease)	-1,596,563.58	5,455,966.05
Decrease in inventories ("-" represents increase)	-177,546,569.82	-2,166,659.67
Decrease in operating items receivable ("-" represents increase)	-162,888,218.88	-843,269,183.71
Increase in operating items payable ("-" represents decrease)	318,620,445.90	48,826,261.66
Others	20,288,460.09	12,214,416.79
Net cash flow from operating activities	1,426,385,813.18	674,910,992.08
2. Major investment and financing activities irrelevant to cash income and expenses:		
Conversion of debts into capital	0.00	0.00
Convertible corporate bonds due within 1 year	0.00	0.00
Fixed assets capitalized under finance leases	0.00	0.00
The increased right-of-use assets of current period	16,013,133.16	0.00
3. Net change in cash and cash equivalents:		
Cash balance at the End of the Period	9,195,712,781.21	8,583,399,208.56
Less: Cash balance at the Beginning of the Period	9,125,309,968.12	9,952,049,990.08
Add: Balance of cash equivalents at the End of the Period	0.00	0.00
Less: Balance of cash equivalents at the Beginning of the Period	0.00	0.00
Net increase in cash and cash equivalents	70,402,813.09	-1,368,650,781.52

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

59. Supplemental information to cash flow statement *(continued)*

(2) Net cash paid 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	Amount for the Period	Amount for Previous Period
I. Cash	9,195,712,781.21	8,583,399,208.56
Of which: Cash on hand	159,141.68	608,704.63
Bank deposits that are readily available for payment	9,099,712,621.41	8,492,715,508.20
Other monetary funds that are readily available for payment	95,841,018.12	90,074,995.73
II. Cash equivalents	0.00	0.00
Of which: Bond investments due within 3 months	0.00	0.00
III. Balance of cash and cash equivalents at the End of the Period	9,195,712,781.21	8,583,399,208.56

Cash and cash equivalents excluded cash and cash equivalents with restrictions on use by the Company.

60. Assets with restricted ownership or right of use

Item	Carrying amount at the End of the Period	Reasons for restriction
Monetary funds	960,984.96	Deposits for letters of guarantee and other businesses
Bills receivable	264,118,889.89	Bills pooling business, pledged bills receivable
Total	265,079,874.85	

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

61. Foreign currency monetary items

Item	Balance in foreign currency at the End of the Period	Exchange rate for conversion	Equivalent RMB balance at the End of the Period
Monetary funds			
Of which: HKD	10,107,718.35	0.85519	8,644,019.65
Euro	77,030.94	7.0084	539,863.64
USD	143,279,205.59	6.7114	961,604,060.39
MOP	5,036,397.92	0.8295	4,177,692.07
JPY	97,062,652.00	0.049136	4,769,270.46
Accounts receivables			
Of which: USD	56,838,534.65	6.7114	381,466,141.45
MOP	1,272,858.45	0.8295	1,055,836.08
Other receivables			
Of which: HKD	1,047,914.71	0.85519	896,166.18
MOP	581,188.00	0.8295	482,095.45
Accounts payables			
Of which: USD	408,078.53	6.7114	2,738,778.25
Euro	5,665.41	7.0084	39,705.46
JPY	123,464,265.53	0.049136	6,066,540.15
Other payables			
Of which: USD	4,551,101.16	6.7114	30,544,260.33
HKD	1,385,652.82	0.85519	1,184,996.44
Dividends payable			
Of which: HKD	24,693,550.36	0.85519	21,117,677.33

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

62. Government grants

(1) Government grants included in deferred income will be measured by gross amount method subsequently

Projects with grants	Type	Balance at the Beginning of the Year	Amount of additional grant for the Period	Amount charged to profit and loss for the Period	Other changes	Balance at the End of the Period	Presentation item charged to profit and loss for the Period	Related to assets/income
R&D and industrialization of innovative Ilaprazole Series (艾普拉唑系列創新藥物研發及產業化)	Fiscal appropriation	16,078,166.25	0.00	2,455,000.32	0.00	13,623,165.93	Other income	Related to assets
Research and development funds for new drug for class I treatment of humanized anti-TNF- α monoclonal antibody (I類治療用入源化抗人腫瘤壞死因子 α 單克隆抗體新藥研發資金)	Fiscal appropriation	8,000,000.00	0.00	5,924,000.00	2,076,000.00	0.00	Other income	Related to income
Strategic emerging industries in 2014 (sustained release microspheres) (2014年戰略性新興產業(緩釋微球))	Fiscal appropriation	16,700,000.00	0.00	0.00	0.00	16,700,000.00	Other income	Related to assets
Fund for industrialization of prolonged-action microsphere preparation (長效微球製劑的產業化款項)	Fiscal appropriation	12,550,000.00	0.00	0.00	0.00	12,550,000.00	Other income	Related to assets
Construction project for industrialization of prolonged-action microsphere preparation (phase I) (長效微球製劑產業化建設項目(一期工程))	Fiscal appropriation	20,719,305.48	0.00	1,202,654.94	0.00	19,516,650.54	Other income	Related to assets
Project subsidy from the Ministry of Industry and Information Technology (工業和信息化部項目補助款)	Fiscal appropriation	2,400,000.00	0.00	0.00	0.00	2,400,000.00	Other income	Related to assets
Project subsidy from the Ministry of Industry and Information Technology (工業和信息化部項目補助款)	Fiscal appropriation	1,366,750.00	0.00	115,500.00	0.00	1,251,250.00	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	1,040,000.14	0.00	79,999.98	0.00	960,000.16	Other income	Related to assets
R&D and Commercialisation of Mouse Nerve Growth Factor for Injection (注射用鼠神經生長因子研發及產業化)	Fiscal appropriation	40,045,946.93	0.00	5,280,044.64	0.00	34,765,902.29	Other income	Related to assets
Demonstration project on the application of solar photovoltaic architecture (太陽能光電建築應用示範項目)	Fiscal appropriation	2,455,499.43	0.00	551,000.04	0.00	1,904,499.39	Other income	Related to assets
Subsidy for the Tender of Technology Upgrade Project for PVC Soft Bag Supported by Provincial Finance Departments (省財政支持技改招標項目補助金PVC軟袋)	Fiscal appropriation	2,703,484.56	0.00	204,182.88	0.00	2,499,301.68	Other income	Related to assets
Technical transformation project of Shengqi Fuzheng Injection with flexible bag (散裝參芪扶正注射液技改項目)	Fiscal appropriation	15,676,470.62	0.00	1,911,764.70	0.00	13,764,705.92	Other income	Related to assets
Provision for technology transformation funds and subsequent grants (技術改造資金撥款及事後補獎)	Fiscal appropriation	5,459,555.72	0.00	564,781.68	0.00	4,894,774.04	Other income	Related to assets
Provision for technology transformation funds and subsequent grants (技術改造資金撥款及事後補獎)	Fiscal appropriation	7,359,670.81	0.00	891,684.24	0.00	6,467,986.57	Other income	Related to assets
Electricity distribution transformer performance enhancement for energy-saving and emission reduction projects (節能減排項目配電變壓器能效提升)	Fiscal appropriation	380,000.00	0.00	24,000.00	0.00	356,000.00	Other income	Related to assets
R&D and industrialization team of chemical drug liquid preparation (化藥液體製劑研發與產業化團隊)	Fiscal appropriation	1,534,833.44	234,000.00	28,999.92	0.00	1,739,833.52	Other income	Related to assets

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

62. Government grants (continued)

(1) Government grants included in deferred income will be measured by gross amount method subsequently (continued)

Projects with grants	Type	Balance at the Beginning of the Year	Amount of additional grant for the Period	Amount charged to profit and loss for the Period	Other changes	Balance at the End of the Period	Presentation item charged to profit and loss for the Period	Related to assets/ income
Innovation capacity building of technology center (antibody laboratory) (技術中心創新能力建設(抗體藥物實驗室))	Fiscal appropriation	4,802,478.80	0.00	222,877.68	0.00	4,579,601.12	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	166,439.46	0.00	37,665.18	0.00	128,774.28	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	3,961,282.44	0.00	0.00	0.00	3,961,282.44	Other income	Related to assets
Technological upgrading and transformation projects of workshop for acarbose (APIs for α -glucosidase inhibitor) (α -葡萄糖苷酶抑制劑類原料藥阿卡波糖生產車間工藝升級技術改造項目)	Fiscal appropriation	464,285.80	0.00	53,571.42	0.00	410,714.38	Other income	Related to assets
R&D and industrialization of Statins (降血脂他汀類藥物的研發與產業化)	Fiscal appropriation	30,000.48	0.00	14,999.94	0.00	15,000.54	Other income	Related to assets
Scientific technology award and subsidy for technological innovative project (科學技術獎及科技創新項目資助)	Fiscal appropriation	28,566.20	0.00	28,566.20	0.00	0.00	Other income	Related to assets
Scientific technology award and subsidy for technological innovative project (科學技術獎及科技創新項目資助)	Fiscal appropriation	2,200,000.00	0.00	0.00	0.00	2,200,000.00	Other income	Related to income
Zhuhai industrial enterprise "cloud and platform" service coupons supporting funds (珠海市工業企業「上雲上平台」服務券支持資金)	Fiscal appropriation	89,431.86	0.00	12,770.43	0.00	76,661.43	Other income	Related to income
Commissioner workstation (特派員工作站)	Fiscal appropriation	85,000.00	0.00	30,000.00	0.00	55,000.00	Other income	Related to assets
Industrial revitalisation supporting funds (產業振興扶持資金)	Fiscal appropriation	2,445,500.01	0.00	579,000.00	0.00	1,866,500.01	Other income	Related to assets
Phase IV clinical study of innovative drug ilaprazole (創新藥物艾普拉唑IV期臨床研究)	Fiscal appropriation	8,210,800.00	0.00	8,210,800.00	0.00	0.00	Other income	Related to assets
Government grant for industrial transformation (工業轉型政府扶持資金)	Fiscal appropriation	308,333.75	0.00	99,999.96	0.00	208,333.79	Other income	Related to assets
New industrialization development grant (新型工業化發展獎金)	Fiscal appropriation	3,584,066.38	0.00	175,000.02	0.00	3,409,066.36	Other income	Related to assets
Policy fund for leading industrial enterprises loan interests (工業龍頭企業貸款貼息政策資金)	Fiscal appropriation	366,666.57	0.00	100,000.02	0.00	266,666.55	Other income	Related to assets
Supporting funds for five advantageous industrial clusters and one high-tech industry (五優一新扶持資金)	Fiscal appropriation	300,000.20	0.00	49,999.98	0.00	250,000.22	Other income	Related to assets
Capital project for innovation and entrepreneurship team funding program (創新創業團隊資助計劃資金項目)	Fiscal appropriation	12,500,000.00	0.00	0.00	0.00	12,500,000.00	Other income	Related to assets
2020 Zhuhai innovation and enterprising team (Nanocrystalline) (2020 年度珠海市創新創業團隊(納米晶))	Fiscal appropriation	1,500,000.00	0.00	0.00	0.00	1,500,000.00	Other income	Related to assets
Fund for R&D and industrialization of innovative ilaprazole series (艾普拉唑系列創新藥物研發及產業化項目資金)	Fiscal appropriation	5,600,000.00	0.00	5,600,000.00	0.00	0.00	Other income	Related to assets

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

62. Government grants (continued)

(1) Government grants included in deferred income will be measured by gross amount method subsequently (continued)

Projects with grants	Type	Balance at the Beginning of the Year	Amount of additional grant for the Period	Amount charged to profit and loss for the Period	Other changes	Balance at the End of the Period	Presentation item charged to profit and loss for the Period	Related to assets/income
Key projects of industrial core and key technologies of Zhuhai (Riyandex) (珠海市產業核心和關鍵技術攻關方向項目 (丹曲林鈔))	Fiscal appropriation	3,000,000.00	0.00	0.00	0.00	3,000,000.00	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	3,650,000.00	0.00	365,000.00	0.00	3,285,000.00	Other income	Related to assets
Fund for key projects of industrial core and key technologies of Zhuhai (2nd batch) (珠海市產業核心和關鍵技術攻關方向項目資金(第二批))	Fiscal appropriation	2,000,000.00	0.00	0.00	0.00	2,000,000.00	Other income	Related to assets
Innovative drug of ilaprazole sodium for injection (創新藥注射用艾普拉唑鈉針劑)	Fiscal appropriation	2,400,000.00	0.00	0.00	0.00	2,400,000.00	Other income	Related to assets
Technological transformation projects of new Cefuroxime (新型頭孢粉針劑技術改造項目)	Fiscal appropriation	1,533,100.00	0.00	0.00	0.00	1,533,100.00	Other income	Related to assets
Internet benchmarking project for advanced drug Manufacturing (先進藥品製造互聯網標準項目)	Fiscal appropriation	675,000.00	0.00	45,000.00	0.00	630,000.00	Other income	Related to assets
Cleaner Production Audit Project (清潔生產審核項目)	Fiscal appropriation	180,000.08	0.00	4,999.98	0.00	175,000.10	Other income	Related to assets
Green factory (綠色工廠)	Fiscal appropriation	1,131,666.71	0.00	64,999.98	0.00	1,066,666.73	Other income	Related to assets
HCG project construction (HCG 項目建設)	Fiscal appropriation	3,387,835.84	0.00	197,824.98	0.00	3,190,010.86	Other income	Related to assets
Sewage treatment system upgrade project (污水處理系統升級改造項目)	Fiscal appropriation	64,239.92	0.00	4,015.02	0.00	60,224.90	Other income	Related to assets
R&D and industrialization of Recombinant Human Chorionic Gonadotropin for Injection (注射用重組人絨促性素研發及產業化)	Fiscal appropriation	1,137,500.00	0.00	75,000.00	0.00	1,062,500.00	Other income	Related to assets
R&D and industrialization of hi-tech self-emulsifying soft capsule preparation of cyclosporine (高技術屏障的環孢素自乳化軟膠囊製劑的開發及產業化研究)	Fiscal appropriation	0.00	240,000.00	2,000.00	0.00	238,000.00	Other income	Related to assets
Guangdong Provincial Key Laboratory of Characteristic Drug Research and Development Enterprises (廣東省特色藥物研發企業重點實驗室)	Fiscal appropriation	0.00	1,000,000.00	8,333.33	0.00	991,666.67	Other income	Related to assets
Subsidies for online monitoring equipment and installations of coal-fired boilers (燃煤鍋爐在線監控設備裝置補助資金)	Fiscal appropriation	82,500.00	0.00	11,250.00	0.00	71,250.00	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	181,632.12	0.00	0.00	0.00	181,632.12	Other income	Related to assets
Project supporting fund for the first batch of special funds for scientific and technological innovation in 2019 (2019 年度第一批科技創新專項資金立項配套資助)	Fiscal appropriation	600,000.00	0.00	0.00	0.00	600,000.00	Other income	Related to assets

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

62. Government grants (continued)

(1) Government grants included in deferred income will be measured by gross amount method subsequently (continued)

Projects with grants	Type	Balance at the Beginning of the Year	Amount of additional grant for the Period	Amount charged to profit and loss for the Period	Other changes	Balance at the End of the Period	Presentation item charged to profit and loss for the Period	Related to assets/ income
Provincial industrial innovation (provincial enterprise technology center) project in 2019 (2019年省產業創新(省級企業技術中心)項目)	Fiscal appropriation	1,046,533.33	0.00	0.00	0.00	1,046,533.33	Other income	Related to assets
China Postdoctoral Science Foundation subsidy funds (中國博士後科學基金會資助經費)	Fiscal appropriation	80,000.00	0.00	0.00	0.00	80,000.00	Other income	Related to income
Pre-appropriation of special grants for industrialization of diagnostic reagents for COVID-19 (新型冠狀病毒檢測試劑產業化項目補助金預撥)	Fiscal appropriation	4,116,415.65	0.00	0.00	0.00	4,116,415.65	Other income	Related to assets
Xiangzhou District equipment purchase subsidy supporting funds (special funds for prevention and control of pandemic) (香洲區購置設備補貼扶持資金(疫情防控專項資金))	Fiscal appropriation	11,467.25	0.00	0.00	0.00	11,467.25	Other income	Related to assets
Zhuhai innovation and enterprising team and high-level talent enterprising project Phase I funds (珠海市創新創業團隊和高層次人才創業項目首期資金)	Fiscal appropriation	12,000,000.00	0.00	0.00	0.00	12,000,000.00	Other income	Related to assets
Overall relocation and deployment expansion project (整體搬遷擴建項目)	Fiscal appropriation	20,000,000.00	30,000,000.00	0.00	0.00	50,000,000.00	Other income	Related to assets
Environmental protection bureau RTO project special funds (環保局RTO項目資金)	Fiscal appropriation	179,999.96	0.00	10,000.02	0.00	169,999.94	Other income	Related to assets
Optimization of structural effect of sea organisms and valuation of anti-tumor activity (海洋微生物構效優化與抗腫瘤活性評價)	Fiscal appropriation	312,366.27	0.00	216,622.02	0.00	95,744.25	Other income	Related to income
2022 Central Government Special Fund for Industrial Restructuring and High-quality Development of Manufacturing Industry (2022年中央財政產業基礎再造和製造業高質量發展專項資金)	Fiscal appropriation	0.00	32,740,000.00	0.00	0.00	32,740,000.00	Other income	Related to assets
National Science and Technology Major Project Fund (國家科技重大專項項目後補助資金) LZM009	Fiscal appropriation	0.00	4,744,900.00	2,171,293.53	0.00	2,573,606.47	Other income	Related to assets
Innovation-driven technology industry itemization in Xiangzhou District in timely response to the impact of the pandemic to maintain stability (香洲區積極應對和疫情影響保穩創新驅動科技工業分項)	Fiscal appropriation	0.00	1,644,800.00	0.00	0.00	1,644,800.00	Other income	Related to income
Total		258,882,992.46	70,603,700.00	37,625,203.03	2,076,000.00	289,785,489.43		

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 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

62. 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	258,812.70	1,110,960.80	Other income	Related to income
R&D subsidy (研究開發費補助)	Fiscal appropriation	2,420,000.00	950,440.00	Other income	Related to income
Research and development funds for new drug for Class I Treatment of humanized anti-TNF- α monoclonal antibody (I 類治療用人源化抗人腫瘤壞死因子 α 單克隆抗體新藥的研製資金)	Fiscal appropriation	0.00	5,924,000.00	Other income	Related to income
Government Subsidy for Long-acting Microspheres Major New Drug Creation (長效微球重大新藥創製政府補助)	Fiscal appropriation	431,665.47	1,202,654.94	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	16,265,800.32	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	80,000.00	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	197,825.00	197,824.98	Other income	Related to assets
Fiscal Subsidy and Operating Subsidy (財政補貼及經營運營補貼)	Fiscal appropriation	83,032,194.60	21,859,039.00	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	5,280,044.56	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	444,166.64	28,999.92	Other income	Related to assets
Import discount and supporting funds (進口貼息及配套資金)	Fiscal appropriation	0.00	211,356.00	Other income	Related to income
Promoting Imports of Foreign Trade Development Special Fund (外貿經濟發展專項資金)	Fiscal appropriation	0.00	1,230,271.00	Other income	Related to income
Subsidy for Rental and Property Fee of the Investment and Promotion Center (投促中心租金及物業費補貼)	Fiscal appropriation	67,500.00	0.00	Other income	Related to income
Technological Upgrading and Transformation Projects of Workshop for Acarbose (API of α -Glucosidase Inhibitor) (α -葡萄糖苷酶抑制劑類原料藥阿卡波糖生產車間工藝升級技術改造項目)	Fiscal appropriation	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	204,182.88	204,182.88	Other income	Related to assets
Technical transformation project of Shenqi Fuzheng Injection with flexible bag (軟袋參芪扶正注射液技改項目)	Fiscal appropriation	1,911,764.70	1,911,764.70	Other income	Related to assets

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

62. 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
Demonstration project on the application of solar photovoltaic architecture (太陽能光電建築應用示範項目)	Fiscal appropriation	551,000.02	551,000.04	Other income	Related to assets
Electricity Incentive Funds (用電獎勵資金)	Fiscal appropriation	301,257.43	0.00	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	0.00	100,000.00	Other income	Related to income
Grants to high-growth technology companies from Dazhangjiang project A04 (大張江項目A04 對高增長技術企業資助款)	Fiscal appropriation	1,500,000.00	0.00	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	0.00	3,687,400.00	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	2,209,246.44	1,257,556.68	Other income	Related to assets
R&D and commercialisation of Statins (降血脂他汀類藥物的研發與產業化)	Fiscal appropriation	14,999.94	14,999.94	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	0.00	198,909.24	Other income	Related to assets
Commissioner workstation (特派員工作站)	Fiscal appropriation	30,000.00	30,000.00	Other income	Related to assets
Special Fund and Encouraging Funds for Energy Saving and Emission Reduction (節能減排專項資金及獎勵金)	Fiscal appropriation	628,000.00	150,000.00	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	1,200,000.00	1,140,000.00	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	305,462.80	28,566.20	Other income	Related to assets
Set-up and research fund for postdoctoral station (博士後建站和科研補貼)	Fiscal appropriation	100,000.00	0.00	Other income	Related to income
Patent (Intellectual Property) Support Fund (專利(知識產權)資助資金)	Fiscal appropriation	779,370.00	0.00	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	0.00	216,622.02	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	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	99,999.96	99,999.96	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	0.00	42,600.00	Other income	Related to income
New industrialization development funds (新型工業化發展資金)	Fiscal appropriation	175,000.02	175,000.02	Other income	Related to assets
Industrial revitalisation supporting funds (產業振興扶持資金)	Fiscal appropriation	579,000.00	579,000.00	Other income	Related to assets
Industrial supporting funds (產業扶持資金)	Fiscal appropriation	143,000.00	0.00	Other income	Related to income
Supporting funds for five advantageous industrial clusters and one hi-tech industry (五優一新扶持資金)	Fiscal appropriation	49,999.98	49,999.98	Other income	Related to assets

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

62. 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
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	769,100.46	1,690,234.86	Other income	Related to 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
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	150,000.00	583,774.23	Other income	Related to income
Award for Informatization and Industrialization Integration Management System (兩化融合獎勵)	Fiscal appropriation	0.00	500,000.00	Other income	Related to income
Subsidy for online monitoring equipment for coal-fired boilers (燃煤鍋爐在線監控設備裝置補助)	Fiscal appropriation	11,250.00	11,250.00	Other income	Related to assets
Special funds for key leading enterprises in the 13th Five-Year Plan (2019) (十三重點領軍企業專項資金(2019年))	Fiscal appropriation	0.00	5,503,400.00	Other income	Related to income
Green factory (綠色工廠)	Fiscal appropriation	65,000.00	64,999.98	Other income	Related to assets
Special fund for industrial enterprise restructuring (工業企業結構調整專項資金)	Fiscal appropriation	0.00	1,000,000.00	Other income	Related to income
Subsidies for work-based training (以工代訓補貼)	Fiscal appropriation	23,500.00	160,500.00	Other income	Related to income
Subsidies for insurance fees (保險費用補貼)	Fiscal appropriation	0.00	144,322.90	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	328,020.00	0.00	Other income	Related to income
Achievement transfer of blood screening BCI nucleic acid detection testing (血液篩查BCI核酸檢測試劑成果轉化)	Fiscal appropriation	6,000,000.00	0.00	Other income	Related to assets
COVID-19 emergency technology special emergency fund and special grants for industrialization (新冠應急科技攻關專項款及產業化項目補助金)	Fiscal appropriation	1,497,000.00	0.00	Other income	Related to assets
Inland transportation subsidy for export enterprises (出口企業內陸運輸補助)	Fiscal appropriation	163,000.00	0.00	Other income	Related to income
"Specialized and new" subsidy (「專精特新」補貼)	Fiscal appropriation	0.00	950,000.00	Other income	Related to income
The second phase of supporting funds for the fifth batch of projects in the 2020 provincial key field R&D plan of the Science and Technology Bureau (科技局拔2020年省重點領域研發計劃第5批項目第二期配套資金)	Fiscal appropriation	0.00	741,000.00	Other income	Related to income
Factory rental subsidy in Hengqin Guangdong-Macao In-depth Cooperation Zone (橫琴粵澳深度合作區廠房租金補貼)	Fiscal appropriation	0.00	345,012.00	Other income	Related to income
R&D and industrialization of hi-tech self-emulsifying soft capsule preparation of cyclosporine (高科技屏障的環孢素自乳化軟膠囊製劑的開發及產業化研究)	Fiscal appropriation	0.00	2,000.00	Other income	Related to assets

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

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

62. 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	0.00	8,333.33	Other income	Related to assets
National Science and Technology Major Project Fund (國家科技重大專項項目後補助資金) LZM009	Fiscal appropriation	0.00	2,171,293.53	Other income	Related to assets
Data-driven industrial chain collaboration platform demonstration project (數據驅動的產業鏈協同平台示範項目)	Fiscal appropriation	0.00	365,000.00	Other income	Related to assets
Several measures to pay enterprises to tide over difficulties in response to COVID-19 pandemic – funds for financial support project (應對新冠病毒肺炎疫情支付企業共渡難關的若干措施—金融支持項目資金)	Fiscal appropriation	0.00	200,000.00	Other income	Related to income
Others	Fiscal appropriation	15,000.00	34,170.43	Other income	Related to income
Total		115,163,992.94	79,946,913.82		

Government grants were mainly from grants for projects such as enterprises operation, R&D, technology transformation, technology innovation, export credit insurance, pandemic emergency and employment assurance from relevant government authorities such as development and reform, finance, commerce, technology, technology and industrial information bureau, human resources and social security bureau of prefecture, provincial and municipal level government of the place where the Company and its subsidiaries operate.

(3) Government grants adopting the netting method to offset the relevant cost

Nil.

(4) Government grants refunded during the Period

Project	Amount	Reason
Research and development funds for new drug for Class I Treatment of humanized anti-TNF- α monoclonal antibody (I類治療用人源化抗人腫瘤壞死因子 α 單克隆抗體 新藥研製資金)	2,076,000.00	Remaining funds returned in project settlement

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

VI. CHANGES IN THE SCOPE OF CONSOLIDATION

On 12 January 2022, Livzon Biologics Hong Kong Limited (麗珠生物科技香港有限公司) established LIVZON BIOLOGICS (MALAYSIA) SDN. BHD. with a registered capital of MYR100, of which the Company contributed MYR100 and is interested in 100% of its registered capital.

VII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Group structure

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Ando Development Limited (安滔發展有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD500,000		100	Set-up
Lizhu (Hong Kong) Co., Limited (麗珠(香港)有限公司)	Wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD451,000,000	100		Set-up
Livzon International Ventures	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD50,000		100	Set-up
Livzon International Ventures I	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD50,000		100	Set-up
Livzon International Ventures II	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD50,000		100	Set-up
Lian Hong Kong Limited (麗安香港有限公司)	Wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD313,000,000	100		Set-up
Zhuhai Modern Chinese Medicine High Technology Co., Ltd. (珠海現代中藥高科技有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Provision of services	RMB6,000,000	75	25	Set-up
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB450,000,000	74.46	25.54	Set-up
Livzon Group Livzon Pharmaceutical Marketing Co., Ltd. (麗珠集團麗珠醫藥營銷有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Trade of goods	RMB20,000,000	60.04	39.96	Set-up
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Trade of goods	RMB60,000,000	66.67	33.33	Set-up
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	Holding subsidiary	Limited company	Shanghai	Shanghai	Manufacture of medicine	RMB87,330,000	36	15	Set-up
Shanghai Livzon Biotechnology Co., Ltd. (上海麗珠生物科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Shanghai	Shanghai	Manufacture of medicine	RMB10,000,000		75	Set-up
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB128,280,000		100	Set-up

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(1) Group structure (continued)

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Jiaozuo	Jiaozuo	Manufacture of medicine	RMB70,000,000		100	Set-up
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	Holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB400,000,000	39.425	(Note)	Set-up
Companhia de Macau Carason Limitada (澳門嘉安信有限公司)	Subsidiary of a holding subsidiary	Limited company	Macao	Macao	Trade of goods	MOP100,000		100	Set-up
Zhuhai Lihe Medical Diagnostic Product Company Limited (珠海麗禾醫療診斷產品有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB15,000,000		100	Set-up
Shanghai Lihang Biotechnology Co., Limited (上海麗航生物科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Shanghai	Shanghai	Provision of services	RMB1,000,000		100	Set-up
Suzhou Lidi Biological Technology Co., Ltd. (蘇州麗迪生物科技股份有限公司)	Subsidiary of a holding subsidiary	Limited company	Suzhou	Suzhou	Technology development	RMB1,000,000		100	Set-up
Zhuhai Liheng Medical Diagnostic Products Co., Ltd. (珠海立恒醫療診斷產品有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB15,000,000		100	Set-up
Zhuhai Liye Biotechnology Co., Ltd. (珠海市麗業生物技術有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB50,000,000		100	Set-up
Changsha Lijin Baokang Medical Technology Co., Ltd. (長沙麗瑾葆康醫療科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Changsha	Changsha	Manufacture of special equipment	RMB1,000,000		100	Set-up
Livzon Pharmaceutical Biotechnology Co., Ltd. (麗珠醫藥生物科技股份有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Provision of services	HKD10,000		100	Set-up
Zhuhai Livzon Advertising Co., Ltd. (珠海麗珠廣告有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Provision of services	RMB1,000,000	10	90	Set-up
Livzon Group Livzon 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	RMB12,000,000	57	25	Set-up
Livzon Group Livzon Medical Research Centre (麗珠集團麗珠醫藥研究所)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB10,000,000	60.04	39.96	Set-up
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	Holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB65,000,000	83.85		Set-up
Li Zhu (Macau) Limitada (麗珠(澳門)有限公司)	Wholly-owned subsidiary	Limited company	Macau	Macau	Investment	MOP100,000		100	Set-up

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(1) Group structure (continued)

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB353,486,850	60	40	Set-up
Zhuhai Livzon Pharmaceutical Equity Investment Management Co., Ltd. (珠海市麗珠醫藥股權投資管理有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Investment	RMB500,000,000	90	10	Set-up
LivzonBio, Inc. (珠海市麗珠生物醫藥科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB889,023,284	55.13		Set-up
Livzon Biologics Hong Kong Limited (麗珠生物科技香港有限公司)	Subsidiary of a holding subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD400 +RMB600,000,000 +USD118,640,000		100	Set-up
Zhuhai Kadi Medical Biotechnology Inc. (珠海市卡迪生物醫藥有限公司)	VIE	Limited company	Zhuhai	Zhuhai	Technology development	RMB1,000,000		100	VIE
LIVZON BIOLOGICS (MALAYSIA) SDN. BHD.	Subsidiary of a holding subsidiary	Limited company	Malaysia	Malaysia	Technology development	MYR 100		100	Set-up
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB1,453,330,000		100	Set-up
Livzon MABPharm (US) Inc. (麗珠單抗生物技術(美國)有限公司)	Subsidiary of a holding subsidiary	Limited company	Boston	Boston	Technology development	USD1,100,000		100	Set-up
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Wholly-owned subsidiary	Limited company	Pengzhou	Pengzhou	Manufacture of medicine	RMB149,000,000	57.41	42.59	Consolidation not under common control
Gongshan Livzon Pharmaceutical Technology Limited (貢山麗珠藥源科技有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Gongshan	Gongshan	Crop farming	RMB1,000,000		100	Set-up
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	Holding subsidiary	Limited company	Qingyuan	Qingyuan	Manufacture of medicine	RMB239,887,700	87.14		Consolidation not under common control
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	Subsidiary of a holding subsidiary	Limited company	Pingluo county	Pingluo county	Manufacture of medicine	RMB200,000,000		100	Set-up
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	Subsidiary of a holding subsidiary	Limited company	Fuzhou	Fuzhou	Manufacture of medicine	USD41,700,000		100	Consolidation not under common control
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Subsidiary of a holding subsidiary	Limited company	Gutian county	Gutian county	Manufacture of medicine	RMB26,700,000		100	Consolidation not under common control

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES *(continued)*

1. Equity in subsidiaries *(continued)*

(1) Group structure *(continued)*

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Wholly-owned subsidiary	Limited company	Shaoguan	Shaoguan	Manufacture of medicine	RMB61,560,000	65.10	34.90	Consolidation not under common control
Datong Livzon Qiyuan Medicine Co., Ltd. (大同麗珠芪源藥材有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Hunyuan	Hunyuan	Crop farming	RMB4,000,000		92.50	Set-up
Longxi Livzon Shenyuan Medicine Co., Ltd. (隴西麗珠參源藥材有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Longxi	Longxi	Crop farming	RMB4,000,000		100	Set-up
Shanghai Liyu Biopharmaceutical Technology Co., Ltd. (上海麗予生物醫藥技術有限責任公司)	Holding subsidiary	Limited company	Shanghai	Shanghai	Technology development	RMB3,000,000	55		Set-up
Zhuhai Livzon Pharmaceuticals Import and Export Trading Co., Ltd. (珠海市麗珠醫藥進出口貿易有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Trade of goods	RMB10,000,000	75	25	Set-up
Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB30,000,000	50	50	Set-up

Note: The Company is the largest shareholder of Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) ("Livzon Diagnostics"). Pursuant to Article 25 of the Articles of Association of Livzon Diagnostics, the board of directors of Livzon Diagnostics consists of nine Directors. The Company will appoint 4 directors of its board of directors, representing more than half of the 6 non-independent directors, and one of them shall be appointed as the chairman of the board of directors. Pursuant to Article 73 of the Articles of Association of Livzon Diagnostics, "ordinary resolutions made by the General Meetings must be passed by more than half of the voting rights represented by the shareholders (including proxies) present at the 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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(2) Important non-wholly owned subsidiaries

Name of subsidiaries	Percentage of minority interests (%)	Profit and loss attributable to minority interests for the Period	Dividends declared For distribution to minority interests during the Period	Balance of equity of minority interests at the End of the Period
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司) (consolidated)	49.00	150,710,677.14	0.00	438,870,813.10
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	60.575	15,336,836.62	0.00	424,803,559.50
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	44.87	-101,194,252.07	0.00	805,765.19
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	12.86	37,565,370.76	0.00	208,324,284.83

(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)	1,432,449,496.70	122,258,230.32	1,554,707,727.02	656,008,652.54	4,608,683.21	660,617,335.75
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	719,623,914.16	285,162,712.07	1,004,786,626.23	277,239,391.59	26,260,826.72	303,500,218.31
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	620,662,095.85	907,259,564.00	1,527,921,659.85	101,301,234.85	1,424,824,647.88	1,526,125,882.73
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	2,078,776,454.73	1,736,516,490.42	3,815,292,945.15	1,894,415,446.69	43,568,317.00	1,937,983,763.69

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(3) Major financial information on important non-wholly owned subsidiaries (continued)

Name of subsidiaries	Current assets	Non-current assets	Balance at the beginning of the 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)	1,447,156,129.69	103,582,498.76	1,550,738,628.45	459,501,281.13	3,723,206.37	463,224,487.50
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	675,304,456.52	283,400,046.02	958,704,502.54	263,312,626.65	25,459,995.83	288,772,622.48
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	412,444,141.51	994,644,707.28	1,407,088,848.79	1,091,121,678.89	98,469,272.11	1,189,590,951.00
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	1,764,277,235.34	1,738,127,872.48	3,502,405,107.82	1,471,204,786.54	51,048,844.18	1,522,253,630.72

Name of subsidiaries	Amount for the Period				Amount for Previous Period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司) (consolidated)	1,014,986,463.84	305,618,770.94	305,618,770.94	297,590,121.18	921,259,449.99	270,778,113.04	270,778,113.04	229,922,416.68
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	349,807,662.02	25,318,756.31	25,526,937.77	2,091,708.59	393,941,254.34	59,492,850.35	59,508,094.49	-113,041,884.10
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	6,985,432.00	-225,527,639.99	-225,502,109.67	-198,391,215.32	3,923,797.78	-196,537,484.36	-196,551,717.06	-291,169,204.99
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	1,241,943,916.72	292,110,192.56	292,110,192.56	413,921,467.69	1,048,328,295.65	211,202,906.98	211,202,906.98	240,102,806.71

(4) Transactions that result in change of owners' equity in subsidiaries without losing control

Nil.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES *(continued)*

2. Equity in joint ventures or associates

(1) Important associates

Name of joint ventures or associates	Principal place of business	Place of registration	Nature of business	Percentage of shareholding (%)		Accounting treatments for investments in joint ventures or associates
				Direct	Indirect	
Associates						
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	Tianjin	Tianjin	Manufacture of medicine	40.00		Equity method

(2) Major financial information on important associates

Item	Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) 2022.6.30	
Owners' equity attributable to the parent company	624,133,283.11	
Net assets shares calculated based on the proportion of the shares	249,653,313.24	
Adjusting items		
Of which: Goodwill	498,457,683.68	
Unrealized profit or loss of intra-transaction	0.00	
Provision for impairment	0.00	
Others	0.00	
Carrying amount of equity investment in associates	748,110,996.92	
Fair value of equity investments with public offer	Suspension of trading since 22 June 2021	

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	548,022,065.65	
Dividends received by the enterprise from associates for the Period	51,920,000.00	

The Company calculated share of assets by shareholding ratio based on the amount attributable to the parent company in the associates' consolidated financial statements. The amounts of associates on the consolidated financial statements take into account the fair value of net identifiable assets and liabilities of the associate when acquiring the investment and the effect of unifying accounting policies. The above data is based on the performance forecast of Tianjin Tongrentang.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

VII. EQUITY IN OTHER ENTITIES *(continued)*

2. Equity in joint ventures or 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	334,596,364.93	957,697,742.75
Total amount calculated by percentage of shareholding		
Net profit	-8,822,121.15	5,963,636.97
Other comprehensive income	0.00	0.00
Total comprehensive income	-8,822,121.15	5,963,636.97

(4) Explanation of major restrictions on the capacity of capital transfer from joint ventures or associates to the Company

Nil.

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The major financial instruments of the Company include monetary funds, bills receivable, accounts receivable, other receivables, non-current assets due within one year, other current assets, financial assets held for trading, other equity instrument investments, long-term receivables, bills payable, accounts payable, other payables, short-term loans and financial liabilities held for trading. 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.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

1. Risk management objectives and policies *(continued)*

(1) Foreign exchange risk

The Company conducts its operations primarily in China. Substantially all of the transactions are denominated and settled in Renminbi. However, the Company still has some import and export businesses regarding APIs and diagnostic reagents that are settled in U.S. dollar and Japanese Yen. The Company's businesses outside China (mainly in Hong Kong) are settled in Hong Kong dollars. In addition, the Company will have foreign currency loans according to the operating needs. In summary of the above, the Company still exposes to certain foreign exchange risks. Taking into account the foreign exchange risks acceptable to the Company, the Company adopted non-hedging foreign currency forward contracts to control foreign exchange risk. However, as to the foreign exchange risk in loans, the Company shall closely monitor the trend of the exchange rate of Renminbi, and timely adjust the extent of borrowings, so as to minimize the risks.

Financial assets and liabilities in foreign currencies held by the Company expressed in Renminbi are stated below:

① 30 June 2022

Unit: RMB'000

Item	HKD item	USD item	Euro item	JPY item	CHF item	MOP item
Financial assets in foreign currency:						
Monetary funds	8,644.02	961,604.06	539.86	4,769.27	0.00	4,177.69
Financial assets held for trading	83,917.72	0.00	0.00	0.00	0.00	0.00
Accounts receivable	0.00	381,466.14	0.00	0.00	0.00	1,055.84
Other receivables	896.17	0.00	0.00	0.00	0.00	482.10
Other equity instrument investments	329,109.75	0.00	0.00	0.00	0.00	0.00
Subtotal:	422,567.66	1,343,070.20	539.86	4,769.27	0.00	5,715.63
Financial liabilities in foreign currency:						
Accounts payable	0.00	2,738.78	39.71	6,066.54	0.00	0.00
Other payables	1,185.00	30,544.26	0.00	0.00	0.00	0.00
Dividend payables	21,117.68	0.00	0.00	0.00	0.00	0.00
Subtotal:	22,302.68	33,283.04	39.71	6,066.54	0.00	0.00

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

1. Risk management objectives and policies *(continued)*

(1) Foreign exchange risk *(continued)*

② 31 December 2021

Unit: RMB'000

Item	HKD item	USD item	Euro item	JPY item	CHF item	MOP item
Financial assets in foreign currency:						
Monetary funds	58,037.41	1,032,929.54	556.14	2,406.62	0.00	1,121.33
Financial assets held for trading	163,071.45	0.00	0.00	0.00	0.00	0.00
Accounts receivable	0.00	399,047.63	4,493.18	0.00	0.00	2,824.85
Other receivables	856.27	0.00	0.00	0.00	0.00	461.23
Other equity instrument investments	339,104.38	0.00	0.00	0.00	0.00	0.00
Subtotal:	561,069.51	1,431,977.17	5,049.32	2,406.62	0.00	4,407.41
Financial liabilities in foreign currency:						
Accounts payable	0.00	213.29	40.90	0.00	0.00	11.01
Other payables	2,502.02	16,034.63	0.00	0.00	0.00	0.00
Subtotal:	2,502.02	16,247.92	40.90	0.00	0.00	11.01

As at 30 June 2022, in respect of the Company's financial assets and liabilities denominated in Hong Kong dollar, U.S. dollar, Euro, Japanese Yen and Macau dollar, should the value of RMB appreciate or depreciate by 5% against Hong Kong dollar, U.S. dollar, Euro, Japanese Yen and Macau dollar, and other factors remain unchanged, the Company would be subject to an increase or decrease in profit of approximately RMB85.74853 million (31 December 2021: approximately RMB99.30541 million).

(2) Interest rate risk

The Company's exposures to interest rate risk are mainly arising from interest-bearing liabilities such as bank loans and bonds payable. 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 2022 (Unless specified otherwise, all amounts are denominated in RMB)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

1. Risk management objectives and policies *(continued)*

(3) Credit risk

Credit risk is primarily attributable to cash and cash equivalents, restricted funds, accounts receivable and other receivables. In respect of deposits at banks, they are placed in several banks with good reputation, and the credit risk faced by us is limited. In respect of receivables, the Company will assess the credit limit granted to customers for credit purpose. Moreover, as the customer base is large, the credit risk from accounts receivable is not concentrated. In respect of the settlement of bills receivable, since more quality bills such as bank acceptance bills are used, it is expected that there should be no significant credit risks as to whether the Company decides to hold the bills for redemption upon maturity or endorse them to external parties for payment based on capital requirements. In addition, the impairment provisions for accounts receivable and other receivables are adequate to manage the credit risk.

Among the accounts receivable of the Company, the accounts receivable from the top five customers accounted for 9.80% (31 December 2021: 10.11%); among other receivables of the Company, the other receivables from the top five customers accounted for 46.66% (31 December 2021: 57.46%).

(4) Liquidity risk

Liquidity risk refers to the risk of shortage of funds that the Company may encounter in meeting its obligations of settlement by delivering cash or other financial assets.

The Company adopts prudent liquidity risk management for the sufficient supply of monetary funds and liquidity. It secures readily available credit loans from banks mainly by maintaining adequate monetary funds and banking facilities. Apart from indirect financing from banks, a number of financing channels are available, such as direct financing by inter-bank market (including short-term financing bills and medium-term notes) and corporate bonds etc. These instruments can effectively reduce the effects of the scale of financing and the macro monetary policies of China on indirect bank financing, and enable us to secure adequate funds in a flexible manner.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

1. Risk management objectives and policies *(continued)*

(4) Liquidity risk *(continued)*

As at the balance sheet date, the contractual cash flows of financial assets and financial liabilities of the Company are presented below in terms of maturity:

① 30 June 2022

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Monetary funds	9,232,850,780.02	0.00	0.00	0.00	9,232,850,780.02
Financial assets held for trading	99,806,543.32	0.00	0.00	0.00	99,806,543.32
Bills receivable	1,378,128,801.25	0.00	0.00	0.00	1,378,128,801.25
Accounts receivable	2,167,129,953.93	0.00	0.00	0.00	2,167,129,953.93
Other receivables	40,910,640.73	0.00	0.00	0.00	40,910,640.73
Non-current assets due within one year	38,498.84	0.00	0.00	0.00	38,498.84
Long-term receivables	0.00	82,574.69	0.00	0.00	82,574.69
Subtotal:	12,918,865,218.09	82,574.69	0.00	0.00	12,918,947,792.78
Financial liabilities:					
Short-term loans	1,607,775,000.02	0.00	0.00	0.00	1,607,775,000.02
Financial liabilities held for trading	5,954,536.12	0.00	0.00	0.00	5,954,536.12
Bills payable	1,166,319,640.57	0.00	0.00	0.00	1,166,319,640.57
Accounts payable	742,460,259.61	0.00	0.00	0.00	742,460,259.61
Other payables	2,589,324,588.70	0.00	0.00	0.00	2,589,324,588.70
Non-current liabilities due within one year	11,940,736.85	0.00	0.00	0.00	11,940,736.85
Lease liabilities	0.00	4,154,936.59	4,272,047.25	0.00	8,426,983.84
Long-term loans	0.00	279,000,000.00	1,384,726,004.58	0.00	1,663,726,004.58
Subtotal:	6,123,774,761.87	283,154,936.59	1,388,998,051.83	0.00	7,795,927,750.29

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

1. Risk management objectives and policies *(continued)*

(4) Liquidity risk *(continued)*

② 31 December 2021

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Monetary funds	9,146,373,455.01	0.00	0.00	0.00	9,146,373,455.01
Financial assets held for trading	182,773,354.56	0.00	0.00	0.00	182,773,354.56
Bills receivable	1,342,029,380.44	0.00	0.00	0.00	1,342,029,380.44
Accounts receivable	1,951,898,111.20	0.00	0.00	0.00	1,951,898,111.20
Other receivables	47,768,970.54	0.00	0.00	0.00	47,768,970.54
Non-current assets due within one year	317,381.23	0.00	0.00	0.00	317,381.23
Long-term receivables	0.00	266,904.13	0.00	0.00	266,904.13
Subtotal:	12,671,160,652.98	266,904.13	0.00	0.00	12,671,427,557.11
Financial liabilities:					
Short-term loans	2,043,048,023.71	0.00	0.00	0.00	2,043,048,023.71
Financial liabilities held for trading	143,302.24	0.00	0.00	0.00	143,302.24
Bills payable	1,026,619,858.93	0.00	0.00	0.00	1,026,619,858.93
Accounts payable	790,679,701.29	0.00	0.00	0.00	790,679,701.29
Other payables	2,416,840,968.10	0.00	0.00	0.00	2,416,840,968.10
Non-current liabilities due within one year	9,284,335.86	0.00	0.00	0.00	9,284,335.86
Lease liabilities	0.00	3,805,277.68	1,468,963.12	0.00	5,274,240.80
Long-term loans	0.00	356,780,252.78	280,000,000.00	0.00	636,780,252.78
Subtotal:	6,286,616,190.13	360,585,530.46	281,468,963.12	0.00	6,928,670,683.71

2. Capital management

The capital management policies are made to keep the continuous operation of the Company, to enhance the return to shareholders, to benefit other stakeholders and to maintain the best capital structure to minimize the cost of capital.

For the maintenance or adjustment of the capital structure, the Company may adjust financing methods, the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments or make an asset disposal to reduce the liabilities.

The Company monitors the capital structure with the gearing ratio (calculated by dividing total liabilities by total assets). On 30 June 2022, the Company's gearing ratio is 39.02% (31 December 2021: 36.03%).

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

3. Transfer of financial assets

(1) Financial assets which are transferred but have not been derecognized in their entirety

Nil.

(2) Financial assets which have been transferred and derecognized in their entirety but still have involvement with the transfer

For the Period, the Company discounted RMB68,836,547.39 bank acceptance bills (Previous Period: RMB0.00). As the main risks (such as interest risks) related to these bank acceptance bills were transferred to the bank, the Company derecognized the undue bank acceptance bills that had been discounted. According to the discount agreement, if such bills are not accepted when due, the bank is entitled to request the Company to honor the unsettled amount. As such, the Company is still involved in discounted bank acceptance bills. On 30 June 2022, the Company has discounted undue bank acceptance bills of RMB27,010,984.61 (31 December 2021: RMB0.00).

On 30 June 2022, the carrying amount of the Company's bank acceptance bills undue and endorsed to suppliers for settling accounts payable was RMB180,000,478.63 (31 December 2021: RMB169,604,780.51); the Company had no commercial acceptance bills undue and endorsed to suppliers for settling accounts payable (31 December 2021: RMB0.00). On 30 June 2022, the due dates were within 1 to 6 months. In accordance with the relevant provisions of the Law of Negotiable Instruments, if payment is refused by the bank of acceptance, the holder of the bills shall have a right of recourse against the Company (the "Continuing Involvement"). 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.

During January to June 2022, no gain or loss was generated by the Company on the date of transfer of the bills. The Company had no current or accumulated gain or expense arising from the Continuing Involvement in financial assets which had been derecognized. The endorsement was incurred evenly throughout the Period.

IX. FAIR VALUE

Based on the inputs of the lowest level that are of great significance to the measurement as a whole in the fair value measurement, the fair value can be categorized as:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Observable inputs other than the quoted market price of assets or liabilities in Level 1, either directly (the prices) or indirectly (derived from prices).

Level 3: Any input that is not based on observable market data (unobservable inputs) is used for assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

IX. FAIR VALUE (continued)

(1) Items and amounts measured at fair value

As at 30 June 2022, assets and liabilities measured at fair value are listed as follows based on the three hierarchies as set out above:

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurement				
(I) Financial assets held for trading	99,756,677.76	49,865.56	0.00	99,806,543.32
1. Debt instrument investments	953,678.89	0.00	0.00	953,678.89
2. Equity instrument investments	98,802,998.87	0.00	0.00	98,802,998.87
3. Derivative financial assets	0.00	49,865.56	0.00	49,865.56
(II) Other equity instrument investments	0.00	0.00	622,995,500.36	622,995,500.36
Total assets measured at fair value on a recurring basis	99,756,677.76	49,865.56	622,995,500.36	722,802,043.68
(III) Financial liabilities held for trading				
1. Derivative financial liabilities	0.00	5,954,536.12	0.00	5,954,536.12
Total liabilities measured at fair value on a recurring basis	0.00	5,954,536.12	0.00	5,954,536.12
II. Non-recurring fair value measurement				
Held-for-sale assets	0.00	0.00	0.00	0.00
Total assets measured at fair value on a non-recurring basis	0.00	0.00	0.00	0.00
Total liabilities measured at fair value on a non-recurring basis	0.00	0.00	0.00	0.00

During January to June 2022, there were no transfers of the fair value measurements 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 and the United States, and their fair values are determined based on the closing price on the last trading day of the Reporting Period.

For financial instruments that are not traded in an active market, the Company measures their fair 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.

(2) Information about the fair value measurement of level 2

Item	Fair value at the End of the Period	Valuation techniques
Derivative financial assets	49,865.56	The fair value is measured at the forward exchange rates quoted by the respective matured contract
Derivative financial liabilities	5,954,536.12	The fair value is measured at the forward exchange rates quoted by the respective matured contract

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

IX. FAIR VALUE (continued)

(3) The quantitative information of important unobservable input used in the level 3 fair value measurement

Item	Fair value at the End of the Period	Valuation techniques
Other equity instrument investments – Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)	164,395,200.00	Market method
Other equity instrument investments – Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物醫藥(上海)有限公司)	59,999,953.41	Latest financing price
Other equity instrument investments – Zhuhai Medpha Biotechnology Co., Ltd. (珠海麥得發生物科技股份有限公司)	6,971,000.00	Latest financing price
Other equity instrument investments – Beijing Luzhu Biotechnology Co., Ltd. (北京綠竹生物技術股份有限公司)	41,944,015.67	Latest financing price
Other equity instrument investments – GLOBAL HEALTH SCIENCE	222,393,107.44	Net assets
Other equity instrument investments – SCC VENTURE VI 2018-B,L.P.	6,963,959.64	Net assets
Other equity instrument investments – Nextech V Oncology S.C.S., SICAV-SIF	32,640,308.82	Net assets
Other equity instrument investments – Others	87,687,955.38	Cost

X. RELATED PARTIES AND RELATED TRANSACTIONS

1. Parent company of the Company

Name of parent company	Place of registration	Nature of business	Registered capital (RMB0'000)	Percentage of the Company's shareholding held by the parent company (%)	Percentage of the Company's voting rights held by the parent company (%)
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Shenzhen	Production and operation of oral liquid, drugs and healthcare food	191,254.0667	23.68	23.68

Notes to the parent company of the Company:

As at 30 June 2022, the Company's parent company and its subsidiaries held a total of 418,878,625 shares in the Company, representing 44.80% 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 2022 (Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

3. Joint ventures and associates of the Company

Please refer to Note V.11. and Note VII.2. for the details of the joint ventures and 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 and 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

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

4. Other related parties of the Company

Name of related parties	Relationship with the Company
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	A company controlled by the parent company
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	A company controlled by the parent company
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	A company controlled by the parent company
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	A company controlled by the parent company
Zhuhai Joincare Pharmaceutical Co., Ltd. (珠海健康元生物醫藥有限公司)	A company controlled by the parent company
Health Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	A company controlled by the parent company
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	A company controlled by the parent company
Shenzhen Taitai Biotechnology Co., Ltd. (深圳太太生物科技有限公司)	A company controlled by the parent company
Shenzhen Taitai Gene Engineering Co., Ltd. (深圳太太基因工程有限公司)	A company controlled by the parent company
Topsino Industries Limited (天誠實業有限公司)	A company controlled by the parent company
Guangzhou Joincare Respiratory Drugs Engineering Technology Co., Ltd. (廣州健康元呼吸藥物工程技術有限公司)	A company controlled by the parent company
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	A company controlled by the parent company
Joincare (Guangdong) 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 holds position
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 senior management of the Company holds position
Zhuhai Xianghetai Investment Management Partnership (Limited Partnership) (珠海祥和泰投資管理合夥企業(有限合夥))	An enterprise controlled by senior management of the Company
Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥))	An enterprise controlled by a Director
Zhuhai Liying Investment Management Partnership (Limited Partnership) (珠海麗英投資管理合夥企業(有限合夥))	An enterprise controlled by a Director
Jiangsu Yiyijia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	A company controlled by a Director
Directors, Supervisors and other senior management personnel	Key management personnel

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

X. 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	1,458,973.45	3,122,300.89
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Raw materials	The market price	8,575,851.50	15,597,880.00
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	Raw materials	The market price	0.00	11,445,991.17
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Finished goods	The market price	74,808.84	97,051.32
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Raw materials	The market price	77,928,034.62	98,448,741.98
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Finished goods	The market price	0.00	12,157.00
Jiangsu Yiyongjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	Finished goods	The market price	291,540.00	0.00
Purchase of goods in aggregate			88,329,208.41	128,724,122.36

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(1) Related purchase and sales (continued)

① Purchase of goods, receipt of services (continued)

Related party	Description of related party transaction	Pricing basis and decision-making procedures of the related party transactions	Amount for the Period	Amount for the Previous Period
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Water, electricity, and power	The market price	15,048,830.25	9,935,484.43
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	R&D	Based on negotiation	362,773.75	0.00
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Testing	The market price	53,443.40	0.00
L&L Biopharma, Co., Ltd. (上海健信生物醫藥科技有限公司)	R&D	Based on negotiation	0.00	188,679.24
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	Business promotion	Based on negotiation	871,765.00	141,700.00
Jiangsu Yiyinjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	Business promotion	Based on negotiation	77,152.00	0.00
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Modern service	Based on negotiation	16,534.82	0.00
Beijing Infinite Intelligence Pharmaceutical Technology Co., Ltd. (北京英飛智藥科技有限公司)	R&D	Based on negotiation	339,805.83	0.00
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	481,132.08	0.00
Receipt of services in aggregate			17,251,437.13	10,265,863.67

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

X. 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	10,678,417.71	27,042,265.56
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Raw materials	The market price	198,911.50	0.00
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Finished goods	The market price	182,808.69	883,748.11
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Finished goods	The market price	0.00	1,124,336.29
Joicare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Finished goods	The market price	0.00	1,146,902.65
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Finished goods	The market price	68,657.04	0.00
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Finished goods	The market price	3,982.30	0.00
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Finished goods	The market price	40,483.85	34,739.80
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	1,955,633.50	2,697,554.00
Sales of goods in aggregate			13,128,894.59	32,929,546.41

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

X. 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	4,603,634.50	3,471,832.92
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Water, electricity, power and others	The market price	284,697.07	165,178.90
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Water, electricity, power and others	The market price	190,278.82	159,723.45
Joincare (Guangdong) Special Medicine Food Co., Ltd. (健康元(廣東)特醫食品有限公司)	Water, electricity, power and others	The market price	73,703.43	0.00
Provision of services in aggregate			5,152,313.82	3,796,735.27
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Processing and testing	Based on negotiation	4,034,905.67	540,338.17
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Processing and testing	Based on negotiation	0.00	132,287.61
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Processing and testing	Based on negotiation	10,459.69	161,739.12
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	319,655.18	0.00
Provision of services in aggregate			4,365,020.54	834,364.90

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(2) Related party leases

① The Company as a lessor

Name of lessee	Type of leased assets	Lease income recognized for the 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	45,847.68
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Plant & buildings	1,113,149.50	1,113,149.50
Topsino Industries Limited (天誠實業有限公司)	Plant & buildings	12,479.30	0.00
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	189,771.42
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 Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Plant & buildings	389,790.83	389,791.81
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Plant & buildings, equipment	1,321,703.01	1,321,703.01

(3) Related party asset transfers and debt restructuring

Related party	Description of related party transaction	Amount for the Period	Amount for the Previous Period
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Procurement of equipment	0.00	155,384.62
Shenzhen Taitai Gene Engineering Co., Ltd. (深圳太太基因工程有限公司)	Procurement of equipment	0.00	9,238.00

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(4) Related party guarantees

- ① The details on the guarantees provided to the subsidiaries by the Company were set out as follows

A. Credit Facilities Guarantees

Unit: RMB0'000

Name of guaranteed party	Actual date of event (Signing date of agreement)	Balance at the End of the Period	Actual Guarantee amount	Guaranteed amount	Description and type of guarantee	Period of guarantee
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2021.9.30	138,472.60	138,472.60	235,000.00	long-term loans, joint liability guarantee	2021.9.30-2025.6.19 (Hong Kong and Shanghai Banking Corporation, China Merchants Bank, Industrial and Commercial Bank of China, Bank of Construction, Bank of Communications, Agricultural Bank, etc.)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2020.3.31	97.85	97.85	17,000.00	Opening letter of credit, joint liability guarantee	2020.3.31-2023.2.21 (Bank of Communications)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2021.8.4	113.54	113.54	30,000.00	Opening letter of credit, joint liability guarantee	2021.8.4-2024.3.22 (Industrial and Commercial Bank of China)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2021.7.28	1,086.15	1,086.15	20,000.00	Opening bank acceptance bills, joint liability guarantee	2021.7.28-2022.7.28 (Minsheng Bank)
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2020.3.30	3,619.35	3,619.35	20,000.00	Opening bank acceptance bills, joint liability guarantee	2020.3.30-2023.2.21 (Bank of Communications)
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2020.6.10	14,599.17	14,599.17	20,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(4) Related party guarantees *(continued)*

① The details on the guarantees provided to the subsidiaries by the Company were set out as follows *(continued)*

A. Credit Facilities Guarantees *(continued)*

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)	2021.7.28	175.00	175.00	20,000.00	Opening letter of guarantee, joint liability guarantee	2021.7.28-2022.7.28 (Minsheng Bank)
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2022.6.21	631.45	631.45	10,000.00	Opening bank acceptance bills, joint liability guarantee	2022.6.1-2024.12.31 (Bank of Construction)
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2020.6.10	1,914.18	1,914.18	6,500.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2022.1.4	707.35	707.35	10,000.00	Opening bank acceptance bills, letter of guarantee, joint liability guarantee	2022.1.1-2023.12.31 (Industrial and Commercial Bank of China)
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2020.6.30	3,072.70	3,072.70	15,000.00	Opening bank acceptance bills, joint liability guarantee	2020.6.30-2023.2.28 (Bank of Communications)
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2020.6.10	12,897.01	12,897.01	20,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(4) Related party guarantees *(continued)*

① The details on the guarantees provided to the subsidiaries by the Company were set out as follows *(continued)*

A. Credit Facilities Guarantees *(continued)*

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
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2020.6.10	1,485.38	1,485.38	5,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	2020.6.10	6,169.95	6,169.95	10,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2020.6.10	12,499.33	12,499.33	15,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2021.1.14	2,542.80	2,542.80	15,000.00	Opening bank acceptance bills, joint liability guarantee	2021.1.14-2023.2.21 (Bank of Communications)
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	2021.7.28	9,599.95	9,599.95	20,000.00	Opening bank acceptance bills, joint liability guarantee	2021.7.28-2022.7.28 (Minsheng Bank)
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	2020.6.10	1,795.00	1,795.00	5,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))
Total actual amount guaranteed for subsidiaries during the Reporting Period			221,947.82			
Total balance of actual amount guaranteed for subsidiaries at the end of the Reporting Period			211,478.75			

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(4) Related party guarantees (continued)

① The details on the guarantees provided to the subsidiaries by the Company were set out as follows (continued)

B. Pledge and guarantee of bills

On 23 April 2018, the thirteenth meeting of the ninth session of the Board of the Company reviewed and approved the "Resolution on Conducting Bills Pooling Business" and agreed that an amount of up to RMB1.4 billion for conducting bills pooling business is to be shared by the Company and its subsidiaries, such amount may be utilized on rolling basis. As at 30 June 2022, the bill pledges guaranteed are as follows:

Unit: RMB0'000

Guarantor	Pledgee	Pledged amount of bills receivable	Name of guaranteed party	Description of guarantee	Guaranteed amount	Period of guarantee
The Company	China Merchants Bank (招商銀行)	22,282.32	Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	2,507.64	Till 13 December 2022
			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	4,460.92	Till 13 December 2022
			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	165.09	Till 14 March 2023
			Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	4,830.81	Till 24 December 2022
			Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Opening bank acceptance bills, joint liability guarantee	689.20	Till 9 December 2022
			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)	Opening bank acceptance bills, joint liability guarantee	989.60	Till 24 August 2022
			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	830.65	Till 21 December 2022
			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	85.60	Till 17 November 2022
			Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	1,654.26	Till 20 December 2022
			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	2,495.00	Till 22 December 2022
			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	646.44	Till 23 November 2022

Total balance of actual guaranteed amount for subsidiaries at the End of the Reporting Period

19,355.21

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(4) Related party guarantees *(continued)*

- ② Subsidiaries' guarantees to subsidiaries

Unit: RMB0'000

Guarantor	Pledgee	Pledged amount of bills receivable	Name of guaranteed party	Description of guarantee	Guaranteed amount	Period of guarantee
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	China Citic Bank (中信銀行)	4,129.57	Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	2,907.62	Till 21 September 2022

- ③ Guarantee provided to related parties by the Company

Nil.

- ④ Guarantee provided to the Company by related parties

Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司), 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) and the guarantee period of which will be expired on the expiry date of the Company's obligation thereunder.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(5) Remuneration of key management personnel

- ① Directors', supervisors' and senior management's remuneration is disclosed as follows

January to June 2022

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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	162.50
Tao Desheng (陶德勝)	150.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	150.00
Qiu Qingfeng (邱慶豐)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Yu Xiong (俞雄)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Executive Directors:									
Tang Yanggang (唐陽剛)	4.80	55.38	2.90	0.80	0.00	0.00	0.00	0.00	63.88
Xu Guoxiang (徐國祥)	150.00	46.15	2.04	0.67	0.00	0.00	0.00	7.98	206.84
Independent Non-executive Directors:									
Bai Hua (白華)	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.00
Tian Qisheng (田秋生)	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.00
Wong Kam Wa (黃錦華)	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.00
Luo Huiyuan (羅會遠)	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.00
Cui Lijie (崔麗婕)	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.00
Supervisors:									
Wang Maolin (汪卯林)	3.60	25.38	2.86	0.80	0.00	0.00	0.00	0.00	32.65
Tang Yin (湯胤)	2.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.40
Huang Huamin (黃華敏)	2.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.40
Other senior management:									
Yang Daihong (楊代宏)	0.00	46.15	2.89	0.80	3.00	0.00	0.00	0.00	52.85
Xu Peng (徐朋)	0.00	46.15	0.00	0.00	0.00	0.00	0.00	0.30	46.45
Si Yanxia (司燕霞)	0.00	46.15	2.89	0.80	18.00	0.00	0.00	0.00	67.85
Zhou Peng (周鵬)	0.00	41.54	2.88	0.80	10.00	0.00	0.00	0.00	55.23
Huang Yuxuan (黃瑜璇)	0.00	41.54	0.00	0.00	0.00	0.00	0.00	0.12	41.66
Yang Liang (楊亮)	0.00	36.92	2.87	0.80	0.00	0.00	0.00	0.00	40.60
Total	515.30	385.38	19.34	5.50	31.00	0.00	0.00	8.40	964.93

Except for participating in pension insurance and unemployment insurance 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 2022 (Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(5) Remuneration of key management personnel (continued)

① Directors', supervisors' and senior management's remuneration is disclosed as follows (continued)

January to June 2021

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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	162.50
Tao Desheng (陶德勝)	150.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	150.00
Qiu Qingfeng (邱慶豐)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Yu Xiong (俞雄)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Executive Directors:									
Tang Yanggang (唐陽剛)	4.80	55.38	2.33	0.76	10.00	0.00	0.00	0.00	73.27
Xu Guoxiang (徐國祥)	150.00	46.15	2.22	0.76	0.00	0.00	0.00	9.50	208.63
Independent Non-executive Directors:									
Bai Hua (白華)	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.00
Zheng Zhihua (鄭志華)	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.00
Xie Yun (謝耘)	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.00
Tian Qiusheng (田秋生)	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.00
Wong Kam Wa (黃錦華)	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.00
Supervisors:									
Wang Maolin (汪卯林)	3.60	25.38	2.33	0.76	0.10	0.00	0.00	0.00	32.17
Tang Yin (湯胤)	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00
Huang Huamin (黃華敏)	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00
Other senior management:									
Yang Daihong (楊代宏)	0.00	46.15	2.33	0.76	0.00	0.00	0.00	0.00	49.24
Xu Peng (徐朋)	0.00	46.45	0.00	0.00	0.00	0.00	0.00	0.04	46.49
Si Yanxia (司燕霞)	0.00	46.15	2.33	0.76	0.00	0.00	0.00	0.00	49.24
Zhou Peng (周鵬)	0.00	41.54	2.33	0.76	0.00	0.00	0.00	0.00	44.62
Huang Yuxuan (黃喻璇)	0.00	41.54	2.60	1.60	0.00	0.00	0.00	7.19	52.92
Yang Liang (楊亮)	0.00	36.92	2.33	0.76	0.00	0.00	0.00	0.00	40.01
Total	516.50	385.68	18.78	6.90	10.10	0.00	0.00	16.73	954.69

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(5) Remuneration of key management personnel *(continued)*

② Individuals with highest emoluments

For January to June 2022, four of the five highest paid individuals were directors of the Company and one of them were members of the senior management of the Company; for January to June 2021, 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 X.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 2022	January to June 2021
Number of individuals within the band of RMB0-RMB1,000,000	2	2
Number of individuals within the band of RMB1,000,001-RMB1,500,000	1	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	1	1

③ Emoluments band of senior management

Item	January to June 2022	January to June 2021
Number of individuals within the band of RMB0-RMB1,000,000	8	8
Number of individuals within the band of RMB1,000,001-RMB1,500,000	—	—
Number of individuals within the band of RMB1,500,001-RMB2,000,000	—	—
Number of individuals within the band of RMB2,000,001-RMB2,500,000	1	1

During January to June 2022 and January to June 2021, no emolument was paid by the Company to the five highest paid individuals as an inducement to join or upon joining the Company; or as compensation for loss of office. None of the directors or supervisors waived any remuneration.

(6) Other related transactions

Nil.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

X. 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 at the Beginning of the 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)	4,517,000.00	0.00	1,381,581.09	0.00
Bills receivable	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	4,624,855.00	0.00	5,492,960.00	0.00
Bills receivable	Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	0.00	0.00	735,000.00	0.00
Bills receivable	Joincare (Guangdong) Special Medicine Food Co., Ltd. (健康元(廣東)特醫食品有限公司)	265,904.40	0.00	0.00	0.00
Subtotal of bills receivable		9,407,759.40	0.00	7,609,541.09	0.00
Accounts receivables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	0.00	0.00	18,889,500.00	490,875.00
Accounts receivables	Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	104,854.84	1,006.66	224,023.83	8,578.07
Accounts receivables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	0.00	0.00	74,479.40	715.00
Accounts receivables	Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	571,756.70	64,688.94	337,395.02	48,933.97
Subtotal of accounts receivables		676,611.54	65,695.60	19,525,398.25	549,102.04
Prepayments	Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	211,200.00	0.00	211,200.00	0.00
Prepayments	Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	465,600.00	0.00	154,500.00	0.00
Prepayments	Jiangsu Yiyinjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	0.00	0.00	0.00	0.00
Subtotal of prepayments		676,800.00	0.00	365,700.00	0.00
Other receivables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	2,282,237.68	38,113.37	1,271,496.55	21,233.99
Other receivables	Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	58,955.40	2,847.55	0.00	0.00
Other receivables	Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	0.00	0.00	5,265.00	87.93
Other receivables	Joincare (Guangdong) Special Medicine Food Co., Ltd. (健康元(廣東)特醫食品有限公司)	0.00	0.00	84,680.42	863.74
Subtotal of other receivables		2,341,193.08	40,960.92	1,361,441.97	22,185.66

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

6. Amounts due from/to related parties *(continued)*

(2) Amounts due to related parties

Item	Related parties	Balance at the End of the Period	Balance at the Beginning of the Period
Bills payables	Jiaozuo Jincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	105,432,093.04	100,495,007.12
Bills payables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	0.00	18,597,167.10
Bills payables	Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	0.00	40,000.00
Bills payables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	0.00	379,960.00
Subtotal of bills payables		105,432,093.04	119,512,134.22
Accounts payables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	5,416,768.00	6,057,630.42
Accounts payables	Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	0.00	0.00
Accounts payables	Jiaozuo Jincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	53,361,938.30	78,885,432.23
Subtotal of accounts payables		58,778,706.30	84,943,062.65
Contract liabilities	Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	47,254.63	0.00
Dividends payable	Topsino Industries Limited (天誠實業有限公司)	21,117,677.33	0.00
Other payables	Jiaozuo Jincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	12,348,462.62	9,899,766.99
Other payables	Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	8,936.17	8,936.17
Subtotal of other payables		33,475,076.12	9,908,703.16

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XI. SHARE-BASED PAYMENT

1. General information about share-based payment

Total equity instruments granted during the Period by the Company (Share)	—
Total equity instruments exercised during the Period by the Company (Share)	496,836
Total equity instruments of the Company expired during the Period (Share)	—
Range of exercise price of share option of the Company outstanding and remaining term of contract as at the End of the Period	Note 1
Range of exercise price of other equity instruments of the Company and remaining term of contract as at the End of the Period	Note 2

Note 1: Share Option

- ① On 5 September 2018, the Resolution on 2018 Share Options Incentive Scheme (Revised Draft) and Its Summary, the Resolution on Administrative Measures for Appraisal System of the 2018 Share Options Incentive Scheme and the Resolution on the General Meeting for Granting Mandate to the Board to Deal with Matters Regarding the 2018 Share Options Incentive Scheme were considered and approved at the 2018 Third Extraordinary General Meeting, the 2018 Third Class Meeting of A Shareholders and the 2018 Third Class Meeting of H Shareholders. On 11 September 2018, the Resolution in Relation to the Adjustment of the List of Incentive Participants of the First Grant and the Quantity to be Granted for the First Grant under 2018 Share Options Incentive Scheme and the Resolution on the Related Matters of the First Grant of 2018 Share Options Incentive Scheme were considered and approved at the 19th meeting of the ninth session of the Board, pursuant to which, 11 September 2018 was set as the date of grant, on which 17,475,500 Share Options were granted to 1,050 incentive participants at an exercise price of RMB47.01 per share option.

On 18 September 2019, the 32nd meeting of the ninth session of the Board of Directors of the Company considered and approved the Resolution relating to Cancellation of Certain Share Options under the 2018 Share Options Incentive Scheme, 254,995 share options that have been granted but not yet exercised by 17 incentive participants who resigned due to personal reasons and did not meet the incentive conditions are cancelled. After the completion of the cancellation, the number of incentive participants for the first grant of the 2018 share options incentive scheme of the Company was adjusted from 1,050 to 1,033, while the number of share options under the first grant was adjusted from 22,718,150 to 22,463,155.

On 23 October 2020, the 4th meeting of the tenth session of the Board of Directors of the Company considered and approved the Resolution relating to Cancellation of Certain Share Options under the 2018 Share Options Incentive Scheme, 162,912 share options under the first exercise period held but not yet exercised by 55 incentive participants and 1,535,765 share options granted and no longer meeting the exercising conditions to 129 incentive participants who had resigned due to personal reasons and were therefore no longer qualified for the incentive are cancelled. After the completion of the cancellation, the number of incentive participants for the first grant of the 2018 Share Options Incentive Scheme of the Company was adjusted from 1,033 to 904, while the number of share options under the first grant was adjusted from 22,463,155 to 20,764,478.

On 10 November 2021, the 25th meeting of the tenth session of the Board of Directors of the Company considered and approved the Resolution relating to Cancellation of Certain Share Options under the 2018 Share Options Incentive Scheme, 323,274 share options under the second exercise period held but not yet exercised by 80 incentive participants and 673,422 share options granted and no longer meeting the exercising conditions to 107 incentive participants who were no longer qualified for the incentive are cancelled. After the completion of the cancellation, the number of incentive participants for the first grant of the 2018 Share Options Incentive Scheme of the Company was adjusted from 904 to 797, while the number of share options under the first grant was adjusted from 20,764,478 to 19,767,782.

As at 30 June 2022, the number of outstanding share options was 4,885,030.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XI. SHARE-BASED PAYMENT *(continued)*

1. General information about share-based payment *(continued)*

Note 1: Share Option *(continued)*

- ② On 28 August 2019, the 31st meeting of the ninth session of the Board of Directors of the Company considered and approved the Resolution relating to Relevant Issues concerning the Reserved Grant under the 2018 Share Options Incentive Scheme, the Board of Directors approved 28 August 2019 as the date of grant, on which 2,535,000 share options were granted to 145 incentive participants and the exercise price was RMB28.87 per A share.

On 18 September 2019, the 32nd meeting of the ninth session of the Board of Directors of the Company considered and approved the Resolution relating to Adjusting the List of Incentive Participants under the Reserved Grant of the 2018 Share Options Incentive Scheme, the number of incentive participants under the Reserved Grant of the share options incentive scheme was adjusted from 145 to 170.

On 28 October 2019, the Reserved Grant of the share options has completed registration. During the process of registration, 1 incentive participant was no longer qualified for incentive due to his resignation, and 2 incentive participants voluntarily gave up the share options to be granted by the Company due to personal reasons. Therefore, the number of incentive participants under the Reserved Grant is adjusted from 170 to 167, and the total number of share options under the Reserved Grant is adjusted from 2,535,000 to 2,524,500.

On 23 October 2020, the 4th meeting of the tenth session of the Board of Directors of the Company considered and approved the Resolution relating to Cancellation of Certain Share Options under the 2018 Share Options Incentive Scheme, 309,900 share options granted and no longer meeting the exercising conditions to 10 incentive participants who had resigned due to personal reasons and were therefore no longer qualified for the incentive are cancelled. After the completion of the cancellation, the number of incentive participants under the Reserved Grant of the 2018 Share Options Incentive Scheme of the Company was adjusted from 167 to 157, while the number of share options under the Reserved Grant was adjusted from 2,524,500 to 2,214,600.

On 10 November 2021, the 25th meeting of the tenth session of the Board of Directors of the Company considered and approved the Resolution relating to Cancellation of Certain Share Options under the 2018 Share Options Incentive Scheme, 31,150 share options under the first exercise period held but not yet exercised by 7 incentive participants and 129,400 share options granted and no longer meeting the exercising conditions to 18 incentive participants who were no longer qualified for the incentive are cancelled. After the completion of the cancellation, the number of incentive participants under the Reserved Grant of the 2018 Share Options Incentive Scheme of the Company was adjusted from 157 to 139, while the number of share options under the Reserved Grant was adjusted from 2,214,600 to 2,054,050.

As at 30 June 2022, the number of outstanding share options was 614,199.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XI. SHARE-BASED PAYMENT *(continued)*

1. General information about share-based payment *(continued)*

Note 2: Other equity incentives

On 8 November 2019, the Resolution on the Disposal of Certain Equity of a Holding Subsidiary and Connected Transaction was considered and approved at the 34th meeting of the ninth session of the Board, pursuant to which it was agreed that 9.5% equity interests (totally 8,382,100 shares) in Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) held by the Company shall be transferred to Zhuhai Liying Investment Management Partnership (Limited Partnership) (珠海麗英投資管理合夥企業(有限合夥)) at the consideration of RMB21,122,892. According to the Assets Appraisal Report on the Valuation of the Shareholders' Equity as a Whole of Zhuhai Livzon Diagnostics Inc. in relation to the Proposed Equity Transfer by Livzon Pharmaceutical Group Inc. (Huaya Zhengxin Appraisal Report [2019] No. A02 – 0011), the valuation of the shareholders' equity as a whole of Zhuhai Livzon Diagnostics Inc. as at 30 June 2019 was RMB647.3075 million, and the above equity transfer price was lower than its fair value, therefore it constitutes a share-based payment. The total share-based payment of the transaction is RMB40.4017 million, which should be amortized within 5 years according to the partnership agreement, and share incentive expenses were recognised due to the share-based payment as a result of the change in the shareholding of the shareholders of Zhuhai Liying Investment Management Partnership (Limited Partnership).

On 8 November 2019, the Resolution on the Implementation of Employee Equity Incentive Scheme by a Holding Subsidiary was considered and approved at the 34th meeting of the ninth session of the Board, pursuant to which, the total number of shares of new issuance by Zhuhai Livzon Diagnostics Inc. for implementation of employee equity incentive scheme shall not be more than 4,643,839 shares, and the incentive participants shall contribute a total of RMB11,702,474.28 to directly subscribe for the above shares or indirectly subscribe for the such shares through holding the limited partnership shares of the employee shareholding platform. In December 2019, pursuant to the Capital Increase Agreement of Zhuhai Livzon Diagnostics Inc., the total shares of Zhuhai Livzon Diagnostics Inc. increased from 88,232,932 shares to 92,876,771 shares with par value of RMB1 per share. The increased number of shares were subscribed by Zhuhai Haoxun Enterprise Management Consulting Partnership (Limited Partnership) (珠海豪訊企業管理諮詢合夥企業(有限合夥)), Zhuhai Yichen Enterprise Management Consulting Partnership (Limited Partnership) (珠海熠臣企業管理諮詢合夥企業(有限合夥)) and Zhuhai Qijing Enterprise Management Consulting Partnership (Limited Partnership) (珠海啟靖企業管理諮詢合夥企業(有限合夥)) at the consideration of RMB11,702,474. The subscription price is lower than the fair value, therefore it constitutes a share-based payment. The total share-based payment of the transaction is RMB20.7090 million, which should be amortized within 5 years according to the Partnership Agreement, and share incentive expenses were recognised due to the share-based payment as a result of the change in the shareholding of the shareholders of Zhuhai Livzon Diagnostics Inc./the employee shareholding platform.

On 31 August 2021, the general meeting of LivzonBio considered and approved the Equity Incentive Scheme of LivzonBio, 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 42.00 million shares were granted in the first batch and 24,666,667 shares were reserved. Incentive participants indirectly subscribed for the above shares through holding the limited partnership shares of the employee shareholding platform. The subscription price is lower than the fair value, therefore it constitutes a share-based payment. The total share-based payment of the transaction is RMB33.6000 million, which should be amortized during the lock-up period according to the Equity Incentive Scheme of LivzonBio and the Grant Agreement and RMB9,800,000 was amortized during January to June 2022.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XI. SHARE-BASED PAYMENT *(continued)*

2. Equity settled share-based payments

Determination on fair value of equity instruments as the date of grant	Black-Scholes Model, market price
Basis for determining quantity of exercisable equity instruments	—
Reasons for significant discrepancies between estimate for the Period and the Previous Period	Nil
Accumulated amount of equity settled share-based payments included in capital reserve	156,656,893.16
Total expense recognised for equity settled share-based payments for the Period	20,288,460.09

3. Cash settled share-based payments

Nil.

XII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Contracted but not recognised in the financial statement	Balance at the End of the Period	Balance at the Beginning of the Year
Commitments in relation to acquisition of long-term assets	463,719,335.87	569,039,017.10
Commitments in relation to external investment	8,000,000.00	8,000,000.00
Commitments in relation to research and development expenditures	264,463,619.59	309,313,880.64

(2) Other commitments

Nil.

(3) Performance of previous commitments

The Company has duly performed the capital expenditure commitments and the operating lease commitments and the other commitments as at 31 December 2021 in the same manner as the previous commitments.

2. Contingencies

As at 30 June 2022, there were no significant contingencies required to be disclosed by the Company.

XIII. POST BALANCE SHEET DATE EVENTS

1. Exercise of share options

As at 9 August 2022, shares option involving 537,230 shares were exercised by the incentive participants and the share capital of the Company was changed to 934,997,951 shares.

As at 9 August 2022, the Company has no other events that needed to be disclosed after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XIV. OTHER SIGNIFICANT MATTERS

1. Leases

The Company had adopted a simplified approach for short-term leases and leases of low value assets and did not recognize right-of-use assets and lease liabilities. The expense of short-term leases, leases of low value assets and variable lease payments not included in the measurement of lease liabilities are included in the expenses in the current period as follows:

Item	Amount for the Period
Short-term leases	1,723,353.98
Leases of low value assets	0.00
Total	1,723,353.98

As at 30 June 2022, save as the disclosed above, there were no other significant matters required to be disclosed by the Company.

XV. NET CURRENT ASSETS AND TOTAL ASSETS LESS CURRENT LIABILITIES

1. Net current assets

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Current assets	15,013,234,496.16	14,673,096,594.67
Less: Current liabilities	6,751,507,519.70	6,925,068,067.24
Net current assets	8,261,726,976.46	7,748,028,527.43

2. Total assets less current liabilities

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Total assets	22,937,729,133.65	22,371,915,590.82
Less: Current liabilities	6,751,507,519.70	6,925,068,067.24
Total assets less current liabilities	16,186,221,613.95	15,446,847,523.58

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Bills receivable

Type of bill	Balance at the End of the Period			Balance at the Beginning of the Year		
	Book balance	Provision for bad debts	Carrying value	Book balance	Provision for bad debts	Carrying value
Bank acceptance bills	870,229,347.91	481,000.00	869,748,347.91	893,196,893.48	481,000.00	892,715,893.48

(1) Bills receivable that were pledged at the End of the Period

Type	Pledged amount at the End of the Period
Bank acceptance bills	222,823,163.89

As at 30 June 2022, bills with carrying amount of RMB222,823,163.89 (31 December 2021: RMB226,523,191.72) were pledged for bank acceptance bills.

(2) Bills receivable endorsed or discounted at the End of the Period but not yet due at the date of balance sheet

Type	Amount derecognized at the End of the Period	Amount not derecognized at the End of the Period
Bank acceptance bills endorsed but not yet due	1,682,367.54	0.00
Bank acceptance bills discounted but not yet due	27,010,984.61	0.00
Total	28,693,352.15	0.00

For the Period, the bank acceptance bills issued by the Company to banks amounted to RMB68,836,547.39 (Previous Period: RMB0.00). As the main risks such as interest risks and returns related to these bank acceptance bills were transferred to the bank, the Company derecognised the undue bank acceptance bills that had been discounted. The discounted fee amounted to RMB0.00 (Previous Period: RMB0.00).

(3) There were no bills transferred into accounts receivables for non-performance by the issuer at the End of the Period.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

1. Bills receivable (continued)

(4) Classification by the method of provision for bad debts

Type	Balance at the End of the Period					Balance at the Beginning of the Year				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying amount	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying amount
Provision for bad debts on individual basis	481,000.00	0.06	481,000.00	100.00	0.00	481,000.00	0.05	481,000.00	100.00	0.00
Of which:										
Bank acceptance bills	481,000.00	0.06	481,000.00	100.00	0.00	481,000.00	0.05	481,000.00	100.00	0.00
Provision for bad debts on collective basis	869,748,347.91	99.94	0.00	0.00	869,748,347.91	892,715,893.48	99.95	0.00	0.00	892,715,893.48
Of which:										
Bank acceptance bills	869,748,347.91	99.94	0.00	0.00	869,748,347.91	892,715,893.48	99.95	0.00	0.00	892,715,893.48
Total	870,229,347.91	100.00	481,000.00	0.06	869,748,347.91	893,196,893.48	100.00	481,000.00	0.05	892,715,893.48

Provision for bad debts on individual basis:

Description	Balance at the End of the Period				Balance at the Beginning of the Year			
	Book balance	Provision for bad debts	Expected credit loss rate (%)	Reason for provision made	Book balance	Provision for bad debts	Expected credit loss rate (%)	Reason for provision made
Henan Jiuzhoutong Pharmaceutical Co., Ltd. (河南九州通醫藥有限公司)	431,000.00	431,000.00	100.00	Not expected to be recoverable	431,000.00	431,000.00	100.00	Not expected to be recoverable
Other customers	50,000.00	50,000.00	100.00	Not expected to be recoverable	50,000.00	50,000.00	100.00	Not expected to be recoverable
Total	481,000.00	481,000.00	100.00	/	481,000.00	481,000.00	100.00	/

(5) Provision for bad debts made, recovered and reversed during the Period

	Amount of provision for bad debts
Balance at the Beginning of the Year	481,000.00
Provision made for the Period	0.00
Recovery or reversal during the Period	0.00
Write-off for the Period	0.00
Balance at the End of the Period	481,000.00

(6) There are no bills receivable actually written-off for the Period.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

2. Accounts receivables

(1) Disclosure using the aging analysis method

Aging	Balance at the End of the Period	Balance at the Beginning of the Year
Within 1 year		
Of which: Within 3 months (including 3 months)	821,149,464.18	865,984,993.94
4-6 months (including 6 months)	66,887,316.65	43,538,485.89
7-12 months (including 12 months)	5,603,561.88	6,614,781.63
Subtotal within 1 year:	893,640,342.71	916,138,261.46
1-2 years (including 2 years)	1,616,768.95	1,217,155.93
2-3 years (including 3 years)	51,273.78	52,428.10
Over 3 years	2,638,541.84	2,638,541.84
Subtotal	897,946,927.28	920,046,387.33
Less: Provisions for bad debts	15,114,003.83	14,363,903.92
Total	882,832,923.45	905,682,483.41

(2) Disclosure according to the method of provision for bad debts

Type	Balance at the End of the Period					Balance at the Beginning of the 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 individual basis	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Provision for bad debts on collective basis	897,946,927.28	100.00	15,114,003.83	1.68	882,832,923.45	920,046,387.33	100.00	14,363,903.92	1.56	905,682,483.41
Of which:										
Due from domestic customers	897,946,927.28	100.00	15,114,003.83	1.68	882,832,923.45	920,046,387.33	100.00	14,363,903.92	1.56	905,682,483.41
Total	897,946,927.28	100.00	15,114,003.83	1.68	882,832,923.45	920,046,387.33	100.00	14,363,903.92	1.56	905,682,483.41

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

2. Accounts receivables (continued)

(2) Disclosure according to the method of provision for bad debts (continued)

Provision for bad debts on collective basis:

Item on collective basis: Due from domestic customers

	Balance at the End of the Period			Balance at the Beginning of the 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)	821,149,464.18	8,071,494.53	0.98	865,984,993.94	8,400,054.44	0.97
4-6 months (including 6 months)	66,887,316.65	3,354,365.83	5.01	43,538,485.89	2,150,801.20	4.94
7-12 months (including 12 months)	5,603,561.88	664,856.19	11.86	6,614,781.63	859,260.13	12.99
1-2 years	1,616,768.95	347,853.79	21.52	1,217,155.93	277,754.98	22.82
2-3 years	51,273.78	36,891.65	71.95	52,428.10	37,491.33	71.51
Over 3 years	2,638,541.84	2,638,541.84	100.00	2,638,541.84	2,638,541.84	100.00
Total	897,946,927.28	15,114,003.83	1.68	920,046,387.33	14,363,903.92	1.56

(3) Provision for bad debts made, recovered and reversed during the Period

	Amount of provision for bad debts
Balance at the Beginning of the Year	14,363,903.92
Provision made for the Period	750,099.91
Recovery or reversal during the Period	0.00
Write-off for the Period	0.00
Balance at the End of the Period	15,114,003.83

As at 30 June 2022 and 31 December 2021, the Company had no accounts receivables that are past due but not impaired.

(4) Accounts receivables that were actually written off during the Period

Nil.

(5) The top five balances of accounts receivable by debtors as at the End of the Period

The total of the top five balances of accounts receivable by debtors as at the End of the Period was RMB143,247,222.80 for the Period, representing 15.95% 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 RMB2,404,307.64.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

2. Accounts receivables *(continued)*

- (6) There are no derecognised accounts receivables in the Company due to the transfer of financial assets.
- (7) The Company has no assets or liabilities formed by its continuous involvement of transferring accounts receivables.

3. Other receivables

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Dividend receivables	735,403,888.07	340,100,088.07
Other receivables	803,316,948.87	858,083,076.53
Total	1,538,720,836.94	1,198,183,164.60

(1) Dividend receivables

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	340,100,088.07	340,100,088.07
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	348,560,000.00	0.00
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	46,743,800.00	0.00
Subtotal:	735,403,888.07	340,100,088.07
Less: Provision for bad debts	0.00	0.00
Total	735,403,888.07	340,100,088.07

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Other receivables (continued)

(1) Dividend receivables (continued)

Provision made for bad debts

As at the End of the Period, provision for bad debts at step 1:

Type	Book balance	Expected credit losses rate over the next 12 months (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debts on individual basis	735,403,888.07	0.00	0.00	735,403,888.07	
Dividend receivables	735,403,888.07	0.00	0.00	735,403,888.07	Recoverable
Provision for bad debts on collective basis	0.00	0.00	0.00	0.00	—
Total	735,403,888.07	0.00	0.00	735,403,888.07	

(2) Other receivables

① Disclosure by nature of the amount

Item	Balance at the End of the Period			Balance at the Beginning of the Year		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Deposits under guarantee, deposits and lease expenses	500,000.00	108,650.00	391,350.00	500,000.00	8,350.00	491,650.00
Reserve fund and advances	6,984,250.70	1,472,278.49	5,511,972.21	8,519,380.87	1,149,782.62	7,369,598.25
Other receivables of each company within the scope of combination	794,928,016.10	0.00	794,928,016.10	841,753,410.23	0.00	841,753,410.23
Balance with associates	0.00	0.00	0.00	5,265.00	87.93	5,177.07
Borrowing due from external entities	5,000,000.00	5,000,000.00	0.00	5,000,000.00	5,000,000.00	0.00
Amounts of exercised options	2,429,180.84	0.00	2,429,180.84	8,463,240.98	0.00	8,463,240.98
Others	62,835.14	6,405.42	56,429.72			
Total	809,904,282.78	6,587,333.91	803,316,948.87	864,241,297.08	6,158,220.55	858,083,076.53

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Other receivables (continued)

(2) Other receivables (continued)

- ② Provision made for bad debts

As at the End of the Period, provision for bad debts at step 1:

Type	Book balance	Expected credit losses rate over the next 12 months (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on individual basis	2,429,180.84	0.00	0.00	2,429,180.84	
Amounts of exercised options	2,429,180.84	0.00	0.00	2,429,180.84	Expected to be recoverable
Provision for bad debt on collective basis	794,928,016.10	0.00	0.00	794,928,016.10	
Other receivables of each company within the scope of combination	794,928,016.10	0.00	0.00	794,928,016.10	Expected to be recoverable
Total	797,357,196.94	0.00	0.00	797,357,196.94	

As at the End of the Period, provision for bad debts at step 2:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on individual basis	0.00	0.00	0.00	0.00	–
Provision for bad debt on collective basis	7,309,626.40	18.47	1,349,874.47	5,959,751.93	
Receivables of deposits under guarantee and security deposits and lease expenses	500,000.00	21.73	108,650.00	391,350.00	–
Other receivables	6,809,626.40	18.23	1,241,224.47	5,568,401.93	–
Total	7,309,626.40	18.47	1,349,874.47	5,959,751.93	

As at the End of the Period, provision for bad debts at step 3:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on individual basis	5,237,459.44	100.00	5,237,459.44	0.00	
Other receivables	5,237,459.44	100.00	5,237,459.44	0.00	Not expected to be recoverable
Provision for bad debt on collective basis	0.00	0.00	0.00	0.00	–
Total	5,237,459.44	100.00	5,237,459.44	0.00	

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Other receivables (continued)

(2) Other receivables (continued)

② Provision made for bad debts (continued)

On 31 December 2021, provision made for bad debts:

As at 31 December 2021, provision for bad debts at step 1:

Type	Book balance	Expected credit losses rate over the next 12 months (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on individual basis	348,563,329.05	0.00	0.00	348,563,329.05	
Dividend receivables	340,100,088.07	0.00	0.00	340,100,088.07	Expected to be recoverable
Amounts of exercised options	8,463,240.98	0.00	0.00	8,463,240.98	Expected to be recoverable
Provision for bad debt on collective basis	841,753,410.23	0.00	0.00	841,753,410.23	
Other receivables of each company within the scope of combination	841,753,410.23	0.00	0.00	841,753,410.23	Expected to be recoverable
Total	1,190,316,739.28	0.00	0.00	1,190,316,739.28	

As at 31 December 2021, provision for bad debts at step 2:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on individual basis	0.00	0.00	0.00	0.00	–
Provision for bad debt on collective basis	8,787,186.43	10.48	920,761.11	7,866,425.32	
Receivables of deposits under guarantee and security deposits and lease expenses	500,000.00	1.67	8,350.00	491,650.00	–
Other receivables	8,287,186.43	11.01	912,411.11	7,374,775.32	–
Total	8,787,186.43	10.48	920,761.11	7,866,425.32	

As at 31 December 2021, 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 debt on individual basis	5,237,459.44	100.00	5,237,459.44	0.00	
Other receivables	5,237,459.44	100.00	5,237,459.44	0.00	Not expected to be recoverable
Provision for bad debt on collective basis	0.00	0.00	0.00	0.00	–
Total	5,237,459.44	100.00	5,237,459.44	0.00	

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

3. Other receivables *(continued)*

(2) Other receivables *(continued)*

- ③ Provision for bad debts made, recovered or reversed during the Period

	Step 1	Step 2	Step 3	
	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)	Total
Provision for bad debts				
Balance at the Beginning of the Year	0.00	920,761.11	5,237,459.44	6,158,220.55
Balance at the Beginning of the Year transferred for the Period				
– Transferred to Step 2	0.00	0.00	0.00	0.00
– Transferred to Step 3	0.00	0.00	0.00	0.00
– Reversed to Step 2	0.00	0.00	0.00	0.00
– Reversed to Step 1	0.00	0.00	0.00	0.00
Provision for the Period	0.00	429,113.36	0.00	429,113.36
Reversal during the Period	0.00	0.00	0.00	0.00
Settlement during the Period	0.00	0.00	0.00	0.00
Write-off during the Period	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Balance at the End of the Period	0.00	1,349,874.47	5,237,459.44	6,587,333.91

- ④ Other receivables that were actually written off during the Period
None.

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Other receivables (continued)

(2) Other receivables (continued)

- ⑤ Top five balances of other receivables by debtors at the End of the Period

Name of entity	Nature of amounts	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 debts 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	641,075,460.71	Within 1 year RMB61,577,861.48, 1-2 years RMB579,497,599.23	79.15	0.00
Ando Development Limited (安滔發展有限公司)	Current account	122,540,902.80	Within 1 year RMB235,724.43, 1-2 years RMB1,003,300.00, over 3 years RMB121,301,878.37	15.13	0.00
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	Current account	21,031,172.39	1-2 years RMB5,880.00, 2-3 years RMB13,495.00, over 3 years RMB21,011,797.39	2.60	0.00
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Current account	8,924,083.00	1-2 years	1.10	0.00
Guangzhou Galaxy Sunshine Biological Products Co., Ltd. (廣州銀河陽光生物製品有限公司)	Borrowings	5,000,000.00	Over 5 years	0.62	5,000,000.00
Total	-	798,571,618.90	-	98.60	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.

4. Long-term equity investments

Item	Balance at the End of the Period			Balance at the Beginning of the Year		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in subsidiaries	2,982,467,145.20	17,287,569.18	2,965,179,576.02	2,949,467,145.20	17,287,569.18	2,932,179,576.02
Investments in associates	840,464,344.74	1,200,000.00	839,264,344.74	854,467,629.32	1,200,000.00	853,267,629.32
Total	3,822,931,489.94	18,487,569.18	3,804,443,920.76	3,803,934,774.52	18,487,569.18	3,785,447,205.34

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

4. Long-term equity investments (continued)

(1) Investments in subsidiaries

Investee	Balance at the Beginning of the Year	Increase during the Period	Decrease during the Period	Balance at the End of the Period	Provision for impairment for the Period	Balance of provision for impairment at the End of the Period
Zhuhai Livzon Baiameng Biological Materials Co., Ltd. (珠海麗珠－拜阿蒙生物材料有限公司)	3,934,721.95	0.00	0.00	3,934,721.95	0.00	0.00
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	361,060,443.85	0.00	0.00	361,060,443.85	0.00	0.00
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	170,872,457.35	0.00	0.00	170,872,457.35	0.00	0.00
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	31,438,404.00	0.00	0.00	31,438,404.00	0.00	0.00
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	0.00	0.00	4,539,975.00	0.00	0.00
Livzon Group Livzon Medical Research Centre (麗珠集團麗珠醫藥研究所)	6,004,000.00	0.00	0.00	6,004,000.00	0.00	0.00
Lizhu (Hong Kong) Co., Limited (麗珠(香港)有限公司)	265,149,450.47	0.00	0.00	265,149,450.47	0.00	0.00
Lian Hong Kong Limited (麗安香港有限公司)	140,000,000.00	0.00	0.00	140,000,000.00	0.00	0.00
Ando Development Limited (安滔發展有限公司)	534,050.00	0.00	0.00	534,050.00	0.00	0.00
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	378,259,319.91	0.00	0.00	378,259,319.91	0.00	17,287,569.18
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	2,357,200.00	0.00	0.00	2,357,200.00	0.00	0.00
Livzon Group Livzon Pharmaceutical Marketing Ltd. (麗珠集團麗珠醫藥營銷有限公司)	12,008,000.00	0.00	0.00	12,008,000.00	0.00	0.00
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	184,301,219.52	0.00	0.00	184,301,219.52	0.00	0.00
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	40,020,000.00	0.00	0.00	40,020,000.00	0.00	0.00
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	54,500,000.00	0.00	0.00	54,500,000.00	0.00	0.00
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	6,675,000.00	0.00	0.00	6,675,000.00	0.00	0.00
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)	135,000,000.00	18,000,000.00	0.00	153,000,000.00	0.00	0.00
Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	212,092,110.00	0.00	0.00	212,092,110.00	0.00	0.00
LivzonBio, Inc. (珠海市麗珠生物醫藥科技有限公司)	932,230,793.15	0.00	0.00	932,230,793.15	0.00	0.00
Shanghai Liyu Biopharmaceutical Technology Co., Ltd. (上海麗予生物醫藥技術有限責任公司)	990,000.00	0.00	0.00	990,000.00	0.00	0.00

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

4. Long-term equity investments (continued)

(1) Investments in subsidiaries (continued)

Investee	Balance at the Beginning of the Year	Increase during the Period	Decrease during the Period	Balance at the End of the Period	Provision for impairment for the Period	Balance of provision for impairment at the End of the Period
Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司)	0.00	15,000,000.00	0.00	15,000,000.00	0.00	0.00
Zhuhai Livzon Pharmaceuticals Import and Export Trading Co., Ltd. (珠海市麗珠醫藥進出口貿易有限公司)	7,500,000.00	0.00	0.00	7,500,000.00	0.00	0.00
Total	2,949,467,145.20	33,000,000.00	0.00	2,982,467,145.20	0.00	17,287,569.18

(2) Investments in associates

Investee	Change during the Period									Balance of provision for impairment at the End of the Period	
	Balance at the Beginning of the Year	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		
											Balance at the End of the Period
Associates											
Livzon Medical Electronic Equipment (Plant) Co., Ltd. (麗珠醫用電子設備(廠)有限公司)	1,200,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,200,000.00	1,200,000.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	17,339,909.35	0.00	0.00	1,899,215.24	0.00	0.00	0.00	0.00	0.00	19,239,124.59	0.00
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	1,222,398.89	0.00	0.00	59,159.96	0.00	0.00	0.00	0.00	0.00	1,281,558.85	0.00
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	83,155,557.16	0.00	0.00	-12,522,892.78	0.00	0.00	0.00	0.00	0.00	70,632,664.38	0.00
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	751,549,763.92	0.00	0.00	46,004,235.14	2,476,997.86	0.00	51,920,000.00	0.00	0.00	748,110,996.92	0.00
Total	854,467,629.32	0.00	0.00	35,439,717.56	2,476,997.86	0.00	51,920,000.00	0.00	0.00	840,464,344.74	1,200,000.00

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

5. Operating income and operating cost

(1) Operating income and operating cost

Item	Amount for the Period		Amount for the Previous Period	
	Income	Cost	Income	Cost
Principal activities	3,042,513,674.54	2,093,140,838.98	3,190,013,726.81	2,139,632,746.93
Other activities	11,224,318.99	8,756,459.34	14,150,238.25	10,142,882.86
Total	3,053,737,993.53	2,101,897,298.32	3,204,163,965.06	2,149,775,629.79

The Company operates in a single operating segment in the PRC, i.e. the manufacture of pharmaceuticals. Accordingly, no operating segment of the Company is presented.

(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	2,723,880,642.05	1,913,694,646.74	2,857,288,180.95	1,945,961,443.25
Traditional Chinese medicine preparations	318,633,032.49	179,446,192.24	332,725,545.86	193,671,303.68
Subtotal	3,042,513,674.54	2,093,140,838.98	3,190,013,726.81	2,139,632,746.93
Other activities:				
Lease income	2,467,859.65	0.00	2,937,062.08	0.00
Others	8,756,459.34	8,756,459.34	11,213,176.17	10,142,882.86
Subtotal	11,224,318.99	8,756,459.34	14,150,238.25	10,142,882.86
Total	3,053,737,993.53	2,101,897,298.32	3,204,163,965.06	2,149,775,629.79

(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	3,042,513,674.54	2,093,140,838.98	3,190,013,726.81	2,139,632,746.93

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

5. Operating income and operating cost *(continued)*

(4) Major business income and cost presented by recognition time of income

Item	Amount for the Period		Amount for the Previous Period	
	Income	Cost	Income	Cost
Commodities (recognized at a point in time)	3,042,513,674.54	2,093,140,838.98	3,190,013,726.81	2,139,632,746.93

6. Investment Income

Item	Amount for the Period	Amount for the Previous Period
Long-term equity investments income under cost method	975,303,800.00	944,000,000.00
Long-term equity investments income under equity method	35,439,717.56	2,671,761.75
Investment income from disposal of long-term equity investments	0.00	0.00
Investment income from financial assets held for trading during its holding period	95,587.48	75,810.76
Dividend income from other equity instrument investments	0.00	0.00
Investment income from disposal of financial assets held for trading	3,907,500.00	-1,163,800.00
Total	1,014,746,605.04	945,583,772.51

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XVII.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	-510,518.91	2,740,150.66
Return, abatement and exemption of taxes resulting from approving ultra vires, or without formal approval or incidentally incurred	0.00	0.00
Government grants as included in the current profit or loss, however, except for those which are closely related to the normal business of an enterprise, comply with the policies of the State and are continuously entitled with specific amount or quantity according to certain standards	79,946,913.82	115,163,992.94
Funds occupation fees charged from non-financial enterprises	0.00	0.00
Gains resulting from the investment cost of acquiring the subsidiaries, joint operation and joint ventures is lower than the fair value of net identifiable assets of the investee as entitled at the time of receipt of the investment	0.00	0.00
Profit or loss from exchange of non-monetary assets	0.00	0.00
Profit or loss from entrusting others to invest on manage assets	0.00	0.00
Provision for impairment of assets accrued due to force majeure factors, such as natural disasters	0.00	0.00
Profit or loss from debts restructuring	0.00	0.00
Enterprise restructuring fees, such as the expenses for employees' settlement and the integration fees	0.00	0.00
Profit or loss exceeding the fair value and generated from the transaction of which the transaction price is obviously unfair	0.00	0.00
Net profit or loss over the current period of the subsidiaries as a result of business combination under common control from the beginning of the period to the date of consolidation	0.00	0.00
Profit or loss from contingent issues irrelevant to the Company's normal business	0.00	0.00

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XVII. SUPPLEMENTARY INFORMATION *(continued)*

1. Statement of non-recurring profit or loss over the current period *(continued)*

Item	Amount for the Period	Amount for the Previous Period
Except for the efficient hedging related to the Company's normal business, profit or loss from changes in fair value as generated from financial assets and financial liabilities held for trading and gains from investment as a result of the disposal of financial assets and financial liabilities held for trading and debt investments	-89,624,563.81	53,283,291.99
Reversals of provision for impairment of accounts receivable with individual impairment test	0.00	0.00
Profit or loss from entrusted loans	0.00	0.00
Profit or loss from fair value changes of the investment properties that are subsequently measured under the fair value model	0.00	0.00
Effect on current profit or loss as a result of the onetime adjustments to current profit or loss under the tax, accounting and other laws and regulations	0.00	0.00
Custody fees income from entrusted operation	0.00	0.00
Other non-operating income and expenses other than the abovementioned items	-2,579,278.17	-927,209.18

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XVII. SUPPLEMENTARY INFORMATION *(continued)*

1. Statement of non-recurring profit or loss over the current period *(continued)*

Item	Amount for the Period	Amount for the Previous Period
Other profit or loss items as defined by the non-recurring profit or loss	0.00	0.00
Total non-recurring profit or loss	-12,767,447.07	170,260,226.41
Less: Effect on income tax of non-recurring profit or loss	8,492,311.23	19,655,988.01
Less: Net effect of non-recurring profit or loss attributable to the Company's minority shareholders (after tax)	7,617,926.17	8,197,804.31
Non-recurring profit or loss attributable to the Company's ordinary shareholders	-28,877,684.47	142,406,434.09

Note: As for the figures in the non-recurring profit or loss column, "+" represents the gains and income, "-" represents the loss or expense.

The Company recognizes non-recurring profit or loss items according to the Explanatory Announcement No.1 on Corporate Information Disclosure for the Public Offering of Securities-Non-recurring Profit or Loss (ZJHGG [2008] No. 43).

NOTES TO THE FINANCIAL STATEMENTS

From January to June 2022 (Unless specified otherwise, all amounts are denominated in RMB)

XVII. SUPPLEMENTARY INFORMATION *(continued)*

2. Rate of return on net assets and earnings per share

January to June 2022

Profit during the reporting period	Rate of return on weighted average net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary shareholders	7.63	1.09	1.09
Net profit attributable to the Company's ordinary shareholders after a deduction of non-recurring profit or loss	7.84	1.12	1.12

January to June 2021

Profit during the reporting period	Rate of return on weighted average net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary shareholders	8.65	1.14	1.14
Net profit attributable to the Company's ordinary shareholders after a deduction of non-recurring profit or loss	7.49	0.98	0.98

Livzon Pharmaceutical Group Inc.
Chairman: **Zhu Baoguo**

9 August 2022



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