



吉林省輝南長龍生化藥業股份有限公司

Jilin Province Huinan Changlong Bio-pharmacy Company Limited

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8049)

Interim Report 2022

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This report, for which the directors of Jilin Province Huinan Changlong Bio-pharmacy Company Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to Jilin Province Huinan Changlong Bio-pharmacy Company Limited and its subsidiary (“the Group”). The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

UNAUDITED INTERIM RESULTS

The directors of Jilin Province Huinan Changlong Bio-pharmacy Company Limited (“the Company”) are pleased to announce the unaudited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months and three months ended 30 June 2022 together with the comparative figures for the corresponding periods in 2021 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months and three months ended 30 June 2022 and 30 June 2021

	Notes	Six months ended 30 June		Three months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Turnover	3	377,295	301,326	183,928	152,607
Cost of sales		(79,451)	(62,218)	(47,948)	(38,863)
Gross profit		297,844	239,108	135,980	113,744
Other revenue	3	12,530	7,971	6,829	1,465
Distribution and selling costs		(176,056)	(132,494)	(85,507)	(63,764)
Administrative expenses		(42,275)	(51,891)	(5,122)	(12,476)
Profit from operations	5	92,043	62,694	52,180	38,969
Finance costs		(636)	(191)	(156)	(75)
Profit before taxation		91,407	62,503	52,024	38,894
Taxation	6	(14,152)	(13,526)	(8,384)	(10,025)
Profit attributable to equity holders of the Company		77,255	48,977	43,640	28,869
Earnings per share – Basic	7	13.79 cents	8.74 cents	7.79 cents	5.15 cents
Dividends	8	–	–	–	–

Note: Calculation of the earnings per share in 2021 and 2022 was based on 560,250,000 shares and 560,250,000 shares respectively.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2022 and 31 December 2021

		30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
	<i>Notes</i>		
Assets and liabilities			
Non-current assets			
Bearer biological assets	9	15,080	15,080
Property, plant and equipment	10	190,464	198,594
Right-of-use assets	11	36,619	36,619
Construction in progress	12	149,467	147,857
Intangible assets	13	32	32
Goodwill		6,254	6,254
Financial assets measured at amortised cost	17	746,494	776,494
Deferred tax assets		1,510	1,510
Total non-current assets		1,145,920	1,182,440
Current assets			
Inventories	14	104,541	86,313
Trade receivables	15	272,296	230,252
Contract assets		21,790	21,790
Other receivables, deposits and prepayments		242,355	289,267
Financial assets at fair value through profit or loss		221,533	176,533
Financial assets measured at amortised cost	17	70,424	30,424
Cash and cash equivalents		84,671	55,294
Total current assets		1,017,610	889,873

		30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
	<i>Notes</i>		
Current liabilities			
Trade payables	16	51,844	51,335
Contract liabilities		15,200	15,222
Other payables and accruals		426,749	404,889
Deferred income		1,308	1,583
Income tax payable		33,606	32,446
Other tax payables		27,149	33,783
Loans from government authority		400	400
Dividend payable		29,661	32,136
		585,917	571,794
Total current liabilities		585,917	571,794
Net current assets		431,693	318,079
Total assets less current liabilities		1,577,613	1,500,519
Non-current liabilities			
Loan from government authority		1,412	953
Deferred income		42,267	41,954
Deferred tax liabilities		2,930	3,863
		46,609	46,770
Net assets		1,531,004	1,453,749
Equity:			
Share capital	18	56,025	56,025
Reserves		1,474,979	1,397,724
Total equity		1,531,004	1,453,749

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2022 and 30 June 2021

	Share capital	Share premium	PRC statutory funds Statutory surplus reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021 (Audited)	56,025	51,098	33,242	1,205,117	1,345,482
Net profit for the six months ended 30 June 2021 (Unaudited)	—	—	—	48,977	48,977
At 30 June 2021 (Unaudited)	<u>56,025</u>	<u>51,098</u>	<u>33,242</u>	<u>1,254,094</u>	<u>1,394,459</u>
Net profit for the six months ended 31 December 2021 (Unaudited)	—	—	—	94,306	94,306
Dividends paid	—	—	—	(35,016)	(35,016)
Balance as at 31 December 2021 (Audited)	<u>56,025</u>	<u>51,098</u>	<u>33,242</u>	<u>1,313,384</u>	<u>1,453,749</u>
Net profit for the six months ended 30 June 2022 (Unaudited)	—	—	—	77,255	77,255
At 30 June 2022 (Unaudited)	<u><u>56,025</u></u>	<u><u>51,098</u></u>	<u><u>33,242</u></u>	<u><u>1,390,639</u></u>	<u><u>1,531,004</u></u>

NOTES TO CONDENSED INTERIM ACCOUNTS:

1. ORGANISATION AND OPERATIONS

The Company was established as a state-owned enterprise in the People's Republic of China (the "PRC") in 1989. On 29 December 1995, under the relevant provisions of the Company Law of the PRC, the Company was re-organized from a state-owned enterprise to a limited liability company. On 16 August 1996, with the approval of the Economic Restructuring Commission of Jilin Province, the Company was further converted into a joint stock limited company. On 20 April 1999, the Company made a bonus issue from capitalisation of retained profits at the proportion of one bonus share for every two existing shares. The Company's H shares were listed on the GEM of the Stock Exchange of Hong Kong Limited on 24 May 2001.

The Group is principally engaged in the manufacture and distribution of biochemical medicines in the PRC under the brandnames of Changlong and Shendi.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of financial instruments which have been measured at fair value.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the period under review are consistent with those followed in the Company's 2021 annual report.

The condensed consolidated financial statements for the six months ended 30 June 2022 are unaudited and have been reviewed by the audit committee of the Company.

3. TURNOVER AND REVENUE

The Group's turnover comprises the invoiced value of merchandise sold net of value-added tax and after allowances for returns and discounts.

	Six months ended 30 June		Three months ended 30 June	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Turnover				
Sales of medicine	377,295	301,326	183,928	152,607
Other revenue				
Other income	12,530	7,971	6,829	1,465
Total revenue for the year	389,825	309,297	190,757	154,072

4. SEGMENT INFORMATION

The Group has only one business segment which is in the manufacture and distribution of Chinese medicines and pharmaceutical products in the PRC. For the six months ended 30 June 2022, turnover of the Group is generated entirely from sales in the PRC and all identifiable assets of the Group are located in PRC. Accordingly, no business or geographical segmental analysis is prepared for the period.

5. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging:

	Six months ended 30 June		Three months ended 30 June	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Depreciation	13,914	11,441	6,957	5,720
Amortisation of intangible asset	-	-	-	-

6. TAXATION

Taxation in the unaudited condensed consolidated income statement represents:

	Six months ended 30 June		Three months ended 30 June	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
PRC income tax	<u>14,152</u>	<u>13,526</u>	<u>8,384</u>	<u>10,025</u>

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate was 15% (2021: 15%).

The Group did not have any significant unprovided deferred taxation for the six months and three months ended 30 June 2022 (2021: Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months and three months ended 30 June 2022 is based on the unaudited profit attributable to shareholders of approximately RMB77,255,000 and RMB43,640,000 respectively (2021: RMB48,977,000 and RMB28,869,000) and on the weighted average of 560,250,000 and 560,250,000 (2021: 560,250,000 and 560,250,000) shares in issue during the two period ended 30 June 2022 respectively.

There is no diluted earnings per share because there were no dilutive potential shares in existence during the relevant periods.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

9. BEARER BIOLOGICAL ASSETS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Ginseng	15,080	15,080

10. PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment of the Group were:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Net book value, beginning of period/year	198,594	169,969
Additions & Disposals & Transfer & Acquisition of subsidiaries	5,784	52,764
Depreciation & Written back on disposals	(13,914)	(24,139)
Net book value, end of period/year	190,464	198,594

11. RIGHT-OF-USE ASSETS

The carrying amounts of the Group's right-of-use assets and the movements during the period/year are as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Net book value, beginning of period/year	36,619	37,408
Depreciation charge	<u>—</u>	<u>(789)</u>
Net book value, end of period/year	<u>36,619</u>	<u>36,619</u>

12. CONSTRUCTION IN PROGRESS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Net book value, beginning of period/year	147,857	124,305
Additions	1,610	23,791
Transfer	<u>—</u>	<u>(239)</u>
Net book value, end of period/year	<u>149,467</u>	<u>147,857</u>

13. INTANGIBLE ASSETS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Cost:		
At 1 January	68,167	68,135
Acquisition of subsidiaries	<u>—</u>	<u>32</u>
At 30 June 2022/31 December 2021	<u>68,167</u>	<u>68,137</u>
Accumulated amortization and impairment loss:		
At 1 January	68,135	68,135
Impairment for the period/year	<u>—</u>	<u>—</u>
At 30 June 2022/31 December 2021	<u>68,135</u>	<u>68,135</u>
Net book value:		
At 30 June 2022/31 December 2021	<u>32</u>	<u>32</u>

Purchased know-how and prescription were all acquired by cash from independent third parties.

14. INVENTORIES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Inventories comprise:		
At cost:		
Raw materials	44,330	24,182
Work in progress	35,882	36,263
Finished goods	25,184	26,723
	<u>105,396</u>	<u>87,168</u>
Less: provision for obsolete and slow-moving inventories	<u>(855)</u>	<u>(855)</u>
	<u>104,541</u>	<u>86,313</u>

As at 30 June 2022, inventories amounting to approximately RMB104,541,000 (2021: RMB86,313,000) were carried at net realizable value.

15. TRADE RECEIVABLES

Trade receivables are stated at cost less provision for doubtful debts. Provisions for doubtful debts are made based upon the directors' knowledge of the customers, the creditworthiness and settlement history, and the aging of the outstanding trade receivables.

The following is an aged analysis of trade receivables, net of provision for impairment for trade receivables, at the balance sheet dates:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Current	105,846	89,503
31–90 days	59,479	50,295
91–180 days	65,308	55,224
More than 180 days	41,663	35,230
	<u>272,296</u>	<u>230,252</u>

The directors consider the carrying amount of trade receivables approximates their fair value.

16. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet dates:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Current	12,911	12,784
31–90 days	12,593	12,469
More than 90 days	26,340	26,082
	<u>51,844</u>	<u>51,335</u>

Trade payables principally comprise amounts outstanding for trade purchases. The directors consider that the carrying amount of trade payables approximates their fair value.

17. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Term deposits with initial term of over three months and less than one year	70,424	30,424
Term deposits with initial term of over one year	746,494	776,494
	816,918	806,918

18. SHARE CAPITAL

	Number of shares	30 June 2022 (Unaudited) RMB'000	Number of shares	31 December 2021 (Audited) RMB'000
Domestic shares of RMB0.10 each	387,750,000	38,775	387,750,000	38,775
H shares of RMB0.10 each	172,500,000	17,250	172,500,000	17,250
	560,250,000	56,025	560,250,000	56,025

19. CAPITAL COMMITMENTS

As at 30 June 2022, the Group had capital commitments contracted for but not provided for in respect of the following:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Acquisition of intangible assets	1,750	1,750
Acquisition of property, plant and equipment	1,042	1,042
	2,792	2,792

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

For the six months ended 30 June 2022, the Group recorded a turnover of approximately RMB377,295,000, representing an increase of 25.2% from RMB301,326,000 for the corresponding period in 2021. Profit attributable to shareholders for the six months ended 30 June 2022 was RMB77,255,000, representing an increase of RMB28,278,000 from RMB48,977,000 for the corresponding period in 2021.

The gross profit margin for the six months ended 30 June 2022 was approximately 78.9% representing a 0.5% decrease as compared to that of 79.4% for the period ended 30 June 2021. The Board believes that there were no significant fluctuation for the production and material cost.

The selling expense as a percentage of turnover was 46.6% in 2022. This represented an increase from 43% when compared to the same period last year. General and administrative expenses decrease from RMB51,891,000 for the six months ended 30 June 2021 to RMB42,275,000 for the same period in 2022.

BUSINESS REVIEW

Production Facilities

During the year, the Company conducted a multi-disciplinary study of market demand and reconstructed the biochemical extraction workshop for the resumption of production of key varieties, which is expected to be put into production in 2022.

This year, the Company built a new R&D and testing center with complete facilities and advanced testing equipment for new product development and product quality control, which was officially put into operation in September 2021.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position during this period. For the six months ended 30 June 2022, the Group's primary source of funds was cash from the operating activities. As at 30 June 2022, the Group had cash and bank balances and consolidated net asset value of approximately RMB84,671,000 and RMB1,531,004,000 respectively.

For the six months ended 30 June 2022, the Group mainly generated revenue and incurred costs in Hong Kong dollars and Renminbi. The Directors consider the impact on foreign exchange exposure of the Group is minimal.

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

GEARING RATIO

As at 30 June 2022, the Group had short-term bank borrowings of RMB Nil (2021: RMB Nil) and a gearing ratio of approximately 0%. The calculation of the gearing ratio was based on the short-term bank loans and shareholders' equity as at 30 June 2022.

CAPITAL COMMITMENTS

Details of the capital commitments of the Company as at 30 June 2022 are set out in note 19 to the financial statement.

CAPITAL STRUCTURE

During the six months ended 30 June 2022, there was no change in the Company's share capital. As at 30 June 2022, the Group's operations were financed mainly by shareholders' equity. The Group will continue to adopt its treasury policy of placing the Group's cash and cash equivalents in interest bearing deposits, and to fund the operation with internal resources.

FUTURE PROSPECTS

There has been an increase in the Group's turnover as compared with the same period last year.

The Directors would like to take this opportunity to express their gratitude to the management and staff for their dedication and contribution to the Group, and to thank our fellow business partners and equity holders for their continuing support. The Directors will endeavor to explore every potential opportunity for business growth, creating a promising future and successful results in the years ahead.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2022, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "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 Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in shares

Director	Type of Interests	Capacity	Number of Domestic Shares	Percentage of Domestic Shares	Percentage of total registered Share Capital
Mr. Zhang Hong	Personal	Beneficial owner	101,937,000	26.29%	18.19%
Mr. Zhang Xiao Guang	Personal	Beneficial owner	42,315,000	10.91%	7.55%
Mr. Xu Xiang Fu	Personal	Beneficial owner	5,227,000	1.348%	0.933%
Mr. Wu Guo Wen	Personal	Beneficial owner	900,000	0.232%	0.161%

Save as disclosed above, as at 30 June 2022, none of the Directors, supervisors and chief executives of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the 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 Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the headings "Directors' interests in shares" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director and chief executives or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors, supervisors and chief executives to acquire such rights in any other body corporate.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, the following persons (other than the Directors, supervisors and chief executives of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in shares

Name of shareholder	Capacity/Nature of Interest	Number of Domestic Shares	Percentage of Domestic Shares	Percentage of total registered Share Capital
Huinan County SAB (Note)	Beneficial owner	81,975,000	21.14%	14.63%

Note: Apart from the equity interest in the Company, Huinan County SAB does not have any direct or indirect interest in the Company, including representation in the Board of Directors.

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any other person (other than the Directors, supervisors and chief executives of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in H shares

Name of shareholder	Capacity	Number of H Shares	Percentage of H Shares	Percentage of total registered Share Capital
Chen Jingwei	Beneficial owner	29,520,000	17.11%	5.269%
Shen Qianzhen	Beneficial owner	13,996,000	8.11%	2.498%

COMPETING INTEREST

During the period under review, none of the Directors, the management shareholders, the significant shareholders or the substantial shareholders (as defined in the GEM Listing Rules) of the Company had any interest in a business, which competes or may compete with the business of the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2022, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

BOARD PRACTICES AND PROCEDURES

During the period under review, the Company had not fully complied with the board practices and procedures as set out in Rules 5.34 of the GEM Listing Rules in respect of the Code on Corporate Governance Practices (the "CCGP"). The main deviations from the code provision set out in the CCGP were as follows:

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhang Hong assumes the role of both the chairman and the chief executive officer of the Company. The Board is of the view that this has not compromised accountability and independent decision making for the following reasons:

- the Audit Committee composes exclusively of independent non-executive directors;
- the independent directors have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

Mr. Zhang Hong, the chairman, is a substantial shareholder of the Company and has considerable industry experience. He is motivated to contribute to the growth and profitability of the Group. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management.

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 24 May 2001 with written terms of reference in compliance with the requirements as set out in Rules 5.28 and 5.29 of the GEM Listing Rules. The audit committee comprise three independent non executive directors, namely Gao Qi Pin, Bai Jun Gui and Tian Jie, Gao Qi Pin is the Chairman of the audit committee. The primary duties of the Committee are to review and provide supervision over the financial reporting procedures and internal control system of the Group.

The committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited results of the Group for the period ended 30 June 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had 956 employees and has employed some temporary sales persons (30 June 2021: 951 employees). Remuneration is determined by reference to market terms and the performance, qualifications and experience of individual employee. Discretionary bonuses based on individual performance will be paid to employees as recognition of and reward for their contribution. Other benefits include contributions to retirement scheme and medical scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2022, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

By order of the Board
Jilin Province Huinan Changlong Bio-pharmacy Company Limited
Zhang Hong
Chairman

Jilin, the PRC
12 August 2022

As at the date of this report, the Board comprises six executive directors, being Zhang Hong, Zhang Xiao Guang, Zhao Bao Gang, Wu Guo Wen, Zhang Yi and Xu Xiang Fu and three independent non-executive directors, being Gao Qi Pin, Bai Jun Gui and Tian Jie.

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