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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)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors of Livzon Pharmaceutical Group Inc.* (the “**Company**” and its subsidiaries (together referred to as the “**Group**”)) hereby announces the audited results of the Group for the year ended 31 December 2020. This results announcement, containing the full text of the 2020 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results.

Both the Chinese and English versions of this results announcement are available on the websites of the Company (www.livzon.com.cn) and Hong Kong Exchanges and Clearing Limited (“**HKEx**”) (www.hkexnews.hk). Printed version of the Company’s 2020 Annual Report will be delivered to the holders of H shares of the Company and available for viewing on the websites of HKEx (www.hkexnews.hk) and the Company (www.livzon.com.cn) in the early of April 2021.

By order of the Board
麗珠醫藥集團股份有限公司
Livzon Pharmaceutical Group Inc.*
Yang Liang
Company Secretary

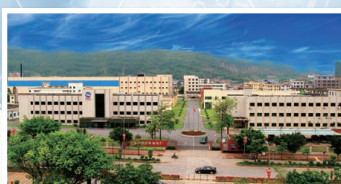
Zhuhai, China
22 March 2021

As at the date of this announcement, the Executive Directors of the Company are Mr. Tang Yanggang (President) and Mr. Xu Guoxiang (Vice Chairman and Vice President); the Non-Executive Directors of the Company are Mr. Zhu Baoguo (Chairman), Mr. Tao Desheng (Vice Chairman), Mr. Qiu Qingfeng and Mr. Yu Xiong; and the Independent Non-Executive Directors of the Company are Mr. Bai Hua, Mr. Zheng Zhihua, Mr. Xie Yun, Mr. Tian Qiusheng and Mr. Wong Kam Wa.

* For identification purpose only

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**Dear Shareholders,**

In 2020, the COVID-19 pandemic spread over the world, and domestic and foreign markets were affected to varying degrees. Meanwhile, as China had been deepening reforms of the pharmaceutical and health systems, the relevant systems of policies and regulations were further amended and improved. Under the background of the coexistence of challenges and opportunities in the industry, the Group found "opportunities" from the new "crises", overcame difficulties and moved forward steadily. Through the hard work of all employees, the Group further achieved high-quality sustainable development and successfully completed its annual business goals.

In this year, the Group reshaped its corporate culture and value, upheld the mission of "prioritizing the quality of life of the patients" with the goal of "becoming a leading pharmaceutical enterprise within the industry", insisted on "back to square one and start all over again" as the core of development and focused on its principal businesses in innovative medicines, in order to continuously strengthen its advantages in innovative medicines and complex drug preparation platforms with high barriers, break through higher growth barriers and strive to achieve high-quality enterprise development. Meanwhile, after the outbreak of COVID-19 pandemic, the Group united as one and cooperated with frontline medical workers, responded and took actions immediately, and successively donated cash and medicines worth more than RMB16 million to Red Cross Society of Zhuhai, Wuhan and other places. In addition, during the fight against the "epidemic", the Group has not stopped its paces of targeted poverty alleviation and chronic disease poverty alleviation. At present, the Group has launched chronic disease poverty alleviation projects in "eleven counties and one township" in six provinces including Gansu, Sichuan, Shanxi, Jilin, Tibet and Henan, which has helped many poor families out of troubles of diseases and illuminated the light of hope for sick families in financial difficulties with the spirit of Healthy China Action.

THE MANAGEMENT TEAM OF THE COMPANY

Mr. Tang Yanggang

Executive Director,
President



Mr. Xu Guoxiang

Executive Director,
Vice President



Mr. Yang Daihong

Vice President



Mr. Zhou Peng

Vice President



Ms. Si Yanxia

Vice President,
Chief Financial Officer



Ms. Huang Yuxuan

Vice President



Mr. Xu Peng

Vice President



Mr. Yang Liang

Vice President,
Company Secretary

REVIEW OF 2020

In 2020, the Group realized operating income of RMB10,520.41 million, representing a year-on-year increase of 12.10%; the net profit was RMB2,131.33 million, representing a year-on-year increase of 45.82%; the net profit attributable to shareholders of the Company was RMB1,714.91 million, representing a year-on-year increase of 31.63%; excluding gains and losses from extraordinary items, the net profit attributable to shareholders of the Company generated from principal operations of the Company in 2020 was RMB1,431.55 million, representing a year-on-year increase of 20.14%.

Based on the operating results and overall financial position of the Group for 2020, the Board proposed a profit distribution plan of the Group for 2020 as follows: it is expected to distribute cash dividend of RMB12.50 (tax inclusive) for every 10 shares to all Shareholders of the Company on 25 June 2021, 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 for 2020 was still subject to consideration and approval at the 2020 annual general meeting of the Company.

In 2020, the Group's key products in each business segment continued to exert strength. Among major chemical drug preparation products, the sales of Ilaprazole Sodium for Injection (注射用艾普拉唑钠) increased rapidly year-on-year, and the sales of Leuporelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球), Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片) and Fluvoxamine Maleate Tablets (馬來酸氟伏沙明片) achieved sustained and substantial increases year-on-year; Moreover, Anti-viral Granules (抗病毒顆粒), a major traditional Chinese drug preparation product, achieved a significant increase in sales driven by the pandemic compared to the previous year; and diagnostics kits for antibody to novel coronavirus (新型冠狀病毒抗體檢測試劑) achieved additional sales, resulting in a steady growth in the Company's overall performance under the influence of the COVID-19 pandemic. At the end of 2020, two types of COVID-19 diagnostic products also received the European Union CE certification, which further expanded the supply of diagnostics kits to novel coronavirus, and also enabled the Group's products to better meet the needs of global epidemic prevention and control.

At present, the Group has entered a new stage of innovation-driven development. Ilaprazole series (艾普拉唑系列) products (innovative medicines) and Leuporelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) (a high-barrier complex drug preparation) continue to grow at a high rate, the contribution of which to the percentage of revenue and profit of the Group increased further, and both drivers have become powerful engines for the rapid development of the Group. In addition, the varieties and businesses from platforms including biologics and microspheres in the Group's R&D pipelines have also injected new vitality into our business development.

Our biologics R&D pipeline involves drugs based on new antibodies, multi-specific antibodies and recombinant protein in the areas of tumors, reproduction and immune diseases; meanwhile, we are also constantly advancing the platform construction including ADC technology platform and new CAR-T technology platform; and we are also in close cooperation with domestic macromolecular biologics R&D companies, world-class scientists, American cutting-edge cell therapy companies and Institute of Biophysics, Chinese Academy of Sciences (中國科學院生物物理研究所), and are accelerating clinical advancement of multiple products under research. In addition, with regard to the complex drug preparation platforms with high barriers, we will continue to expand our leading edges in the field of domestic microsphere innovation and R&D by developing a series of rich varieties under research, including many key varieties with high sales potential. The Group has also gathered top talents in this field and obtained special incentives from the nation for major new drug creation.

R&D and innovation have always been the main lines of sustainable and high-quality development. We continue to promote product innovation and upgrade, pay attention to unfulfilled clinical needs, focus on innovative drugs and high-barrier complex drug preparations, and continue to enhance innovation and R&D and business layout of our products in the segments of psychiatry, oncology and immunity based on our traditional segments of assisted reproduction and gastroenterology on which we have advantages. In 2020, Ilaprazole Sodium for Injection (注射用艾普拉唑钠) was shortlisted for the "landmark achievements in pharmaceutical science and technology of China during the 13th Five-Year Plan (十三五中國醫藥科技標誌性成果)"; clinical trials of Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) (1-month sustained release) and Recombinant Humanized Anti-IL-6R Monoclonal Antibody for Injection (重組人源化抗

人IL-6R單克隆抗體注射液) were conducted in significant progress; Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) (1-month sustained release), Octreotide Acetate Microspheres for Injection (注射用醋酸奧曲肽微球) (1-month sustained release), 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 approved for clinical trials; Amlodipine Besylate Capsules (苯磺酸氨氯地平膠囊) and Tinidazole Tablets (替硝唑片) passed the consistency evaluation. The breakthrough progress made in the research and development of these key products has accumulated valuable experience for advancing R&D and applications for registration of other varieties and has further strengthened the Company's position as a first-line innovative pharmaceutical company in the industry.



While we continue to strengthen independent innovation, we also actively expand and cooperate abroad, increase strategic cooperation with high-tech enterprises and institutions in the industry and continue to focus on cutting-edge technologies. We also comprehensively sort out available resources, strive to build a first-class international business team and focus on core products, develop innovative business cooperation models in global core regional markets and accelerate the international industrial layout of the Group.



In respect of sales, our marketing team actively implements sales deployment and continues to increase evidence marketing and academic marketing; in the second half of 2020, sales of prescription drug products of the Group recovered significantly; in addition, we adopted innovative marketing concepts and promoted online and offline targeted marketing, which greatly increased the market share of our OTC products such as Anti-viral Granules (抗病毒颗粒); the competitiveness and market share of API products in overseas market further improved, and multiple products obtained top global market

share; we established long-term strategic partnerships with world-renowned companies such as Pfizer, Teva, Baxter and Zoetis, and were recognized as a high-quality supplier in the international market.

In respect of strategic development, in order to further focus on the major business of innovative pharmaceuticals and enhance the comprehensive competitiveness of Livzon Diagnostics, a controlling subsidiary of the Company, the general meeting of the Company approved the spin-off and listing of Livzon Diagnostics on the ChiNext Board of the Shenzhen Stock Exchange at the end of 2020. In November 2020 and February 2021, Livzon Diagnostics lodged a registration in respect of the commencement of the tutoring period and submitted the record report of the first interim tutoring with the Guangdong administration of the CSRC, respectively. In addition, in January 2021, the general meeting of the Company approved the reorganization and reform of the shareholding structures of the platform companies in the field of biologics, which further optimized the shareholding structure of the platform companies.



Over the years, while focusing on our own business, we have always maintained the corporate culture of growing together with our employees, providing every employee with opportunities for sustainable development. Through diversified training systems and complete remuneration and benefits mechanism, the Group has provided its employees with a broad stage to show themselves, and has constantly improved the working environment of its employees and provided its employees with highly competitive salaries and benefits in the industry and a diversified development platform.

FUTURE OUTLOOK

In 2021, We will closely monitor the development of the global pandemic situation to ensure the smooth and orderly progress of production and operation activities. Meanwhile, we will use new technologies, new models and new thinking in all fields of business operations to digitally and intelligently upgrade operations and management, and accelerate to adapt to the new trends in the ever-changing market and economic environment. In early 2021, 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), a joint venture established by a subsidiary of the Company and a subsidiary of Joincare, entered into a strategic cooperation agreement with Tencent Quantum Lab (騰訊量子實驗室). We will cooperate with Tencent to promote the application of quantum computing + artificial intelligence in the field of microbial synthetic biology research and related drug research, so as to make contributions to the development and progress of medical research and development technology.

In the post-pandemic era, we will uphold the mission of "prioritizing the quality of life of the patients" with the goal of "becoming a leader in the pharmaceutical industry", take unfulfilled clinical needs as the starting point for innovation and R&D, focus on the major business of innovative pharmaceuticals and further strengthen Livzon's leading advantages in innovative medicines and complex drug preparation platforms with high barriers; increase investment in technological innovation and management innovation to enhance digitization and intelligence level of the Company; attach importance to environmental protection, continue to invest funds to improve processes and update equipment to achieve the goal of energy saving and emission reduction; meanwhile, we will focus more on social responsibility, actively participate in charity campaigns, maintain our efforts in health-based poverty alleviation and industry-based poverty alleviation, and give back to the society with practical actions.



At the beginning of the new year, President Xi Jinping called on the people of the whole country to learn the spirit of the ox in serving the people in the new stage of development by opening up new developments with courage, serving the weak with patience and striving to serve people diligently, conscientiously and whole-heartedly like an old ox. Every employee of our Company should fully understand the spirit of the President Xi's speech, always follow the Communist Party, live up to the trust of the times, practice the core values of the Company, do a good job in every task and strive to continuously make breakthroughs towards deeper innovation and higher quality development.

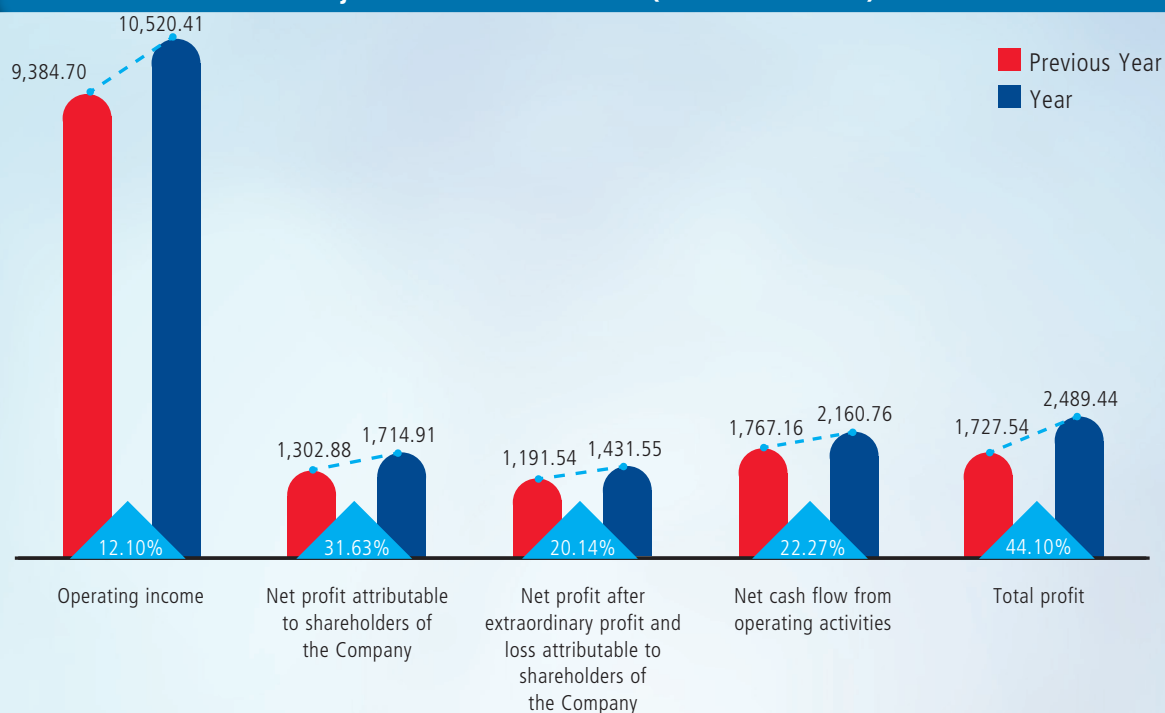
On behalf of the Board of the Company, I would like to take this opportunity to express my sincere thanks to all shareholders, all staff of the Group and business partners for their long-lasting care and support.

Zhu Baoguo

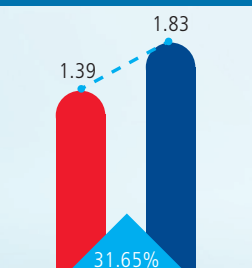
Chairman

22 March 2021

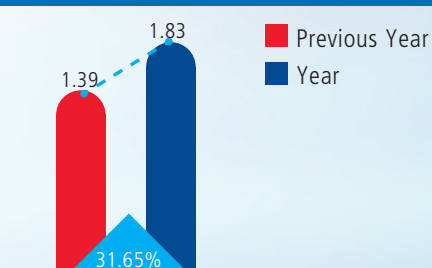
Major Financial Indicators (RMB in millions)



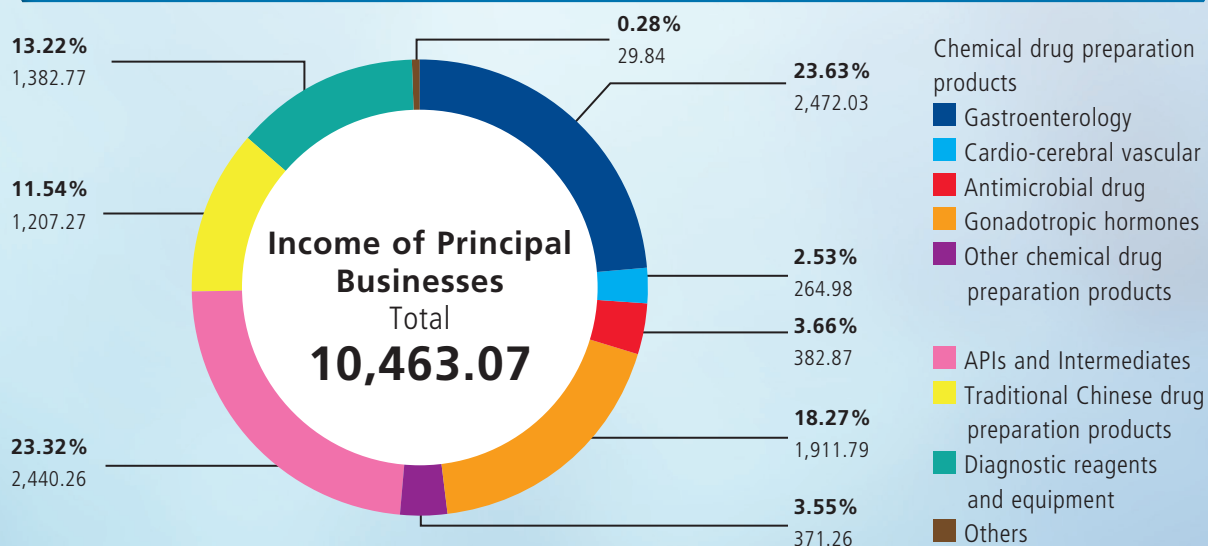
Basic earnings per share (RMB/Share)



Diluted earnings per share (RMB/Share)

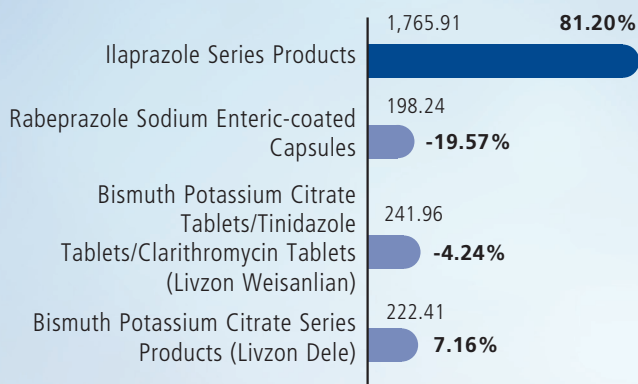


Composition of Principal Businesses (RMB in millions)

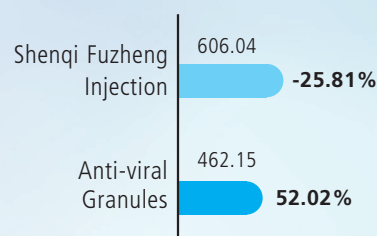


INCOME FROM SALES OF KEY PRODUCTS DURING THE YEAR (RMB IN MILLIONS) AND YEAR-ON-YEAR CHANGE

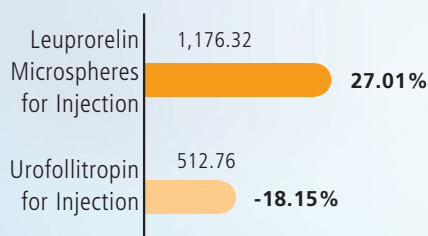
Drug preparation products: gastroenterology



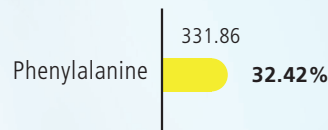
Drug preparation products: traditional Chinese drug preparation



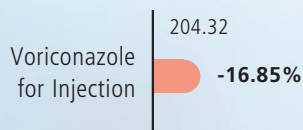
Drug preparation products: gonadotropic hormones



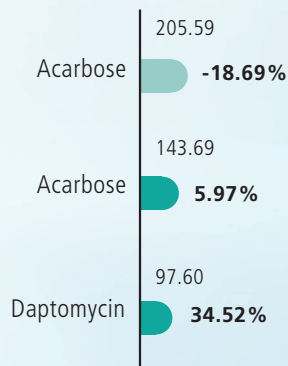
APIs : food additives – human use



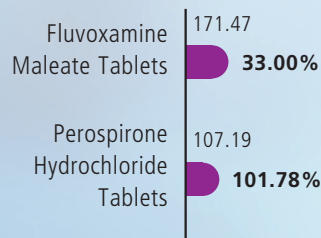
Drug preparation products: antimicrobials



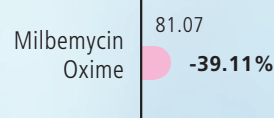
APIs : fermentation drugs – human use



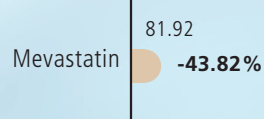
Drug preparation products: others – psychiatry/neurology



APIs : veterinary drugs



Intermediates – human use



SECTION I. IMPORTANT NOTICE AND DEFINITIONS

IMPORTANT NOTICE

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

The financial statements of the Group for the year ended 31 December 2020 have been prepared in accordance with the China Accounting Standards for Business Enterprises, and have been audited by Grant Thornton (Special General Partnership) who issued standard unqualified opinions in the audit report.

Mr. Zhu Baoguo (朱保國), the person-in-charge of the Company, Ms. Si Yanxia (司燕霞), the person-in-charge of the Company's financial affairs (mainly responsible for 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 for the truthfulness, accuracy and completeness of the financial statements contained in the Report.

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

After consideration and approval by the Board of the Company, the Company's profit distribution plan for 2020 is as follows: it is expected to distribute cash dividend of RMB12.50 (tax inclusive) for every 10 shares to all Shareholders of the Company on 25 June 2021, 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 "Dividend Distribution Plan for the Year"). The Dividend Distribution Plan for the Year is still required to be submitted to the 2020 Annual General Meeting (the "AGM") of the Company for consideration and approval.

The Company analysed possible risk factors and corresponding strategies in respect of the future development of the Company in Section IV "Operation Discussion and Analysis (Report of the Board)" of this Report. Investors are advised to review it.

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

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

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)"	the directors 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

* For identification purpose only

DEFINITIONS *(continued)*

"Year", "Reporting Period" or "Period"	the twelve months from 1 January to 31 December 2020
"Same Period Last Year", "Previous Period" or "Previous Year"	the twelve months from 1 January to 31 December 2019
"End of the Previous Year" or "End of the Previous Period"	31 December 2019
"Beginning of the Year", "Beginning of the Reporting Period", "Beginning of the Period"	1 January 2020
"End of the Year", "End of the Reporting Period,"	31 December 2020
"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

DEFINITIONS *(continued)*

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules
"SFO"	Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
"Articles of Association"	the Articles of Association of Livzon Pharmaceutical Group Inc.* (《麗珠醫藥集團股份有限公司章程》)
"B-To-H" Share Conversion	conversion of the domestically listed foreign shares (B Shares) of the Company into H Shares by way of introduction for listing and trading on the main board of the Hong Kong Stock Exchange
"Restricted A Shares Incentive Scheme"	the Restricted A Shares Incentive Scheme (Revised Draft) considered and approved by the Company at the 2015 first extraordinary general meeting
"Restricted Shares"	A Shares granted to the incentive participants under the Restricted A Shares Incentive Scheme of the Company
"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
"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 Pharmaceutical"	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)

DEFINITIONS *(continued)*

"Ningxia Pharmaceutical"	Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd.* (麗珠集團(寧夏)製藥有限公司)
"Pharmaceutical Factory"	Livzon Group Livzon Pharmaceutical Factory* (麗珠集團麗珠製藥廠)
"Livzon Diagnostics"	Zhuhai Livzon Diagnostics Inc.* (珠海麗珠試劑股份有限公司)
"Sichuan Guangda"	Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd.* (四川光大製藥有限公司)
"Shanghai Livzon"	Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd.* (上海麗珠製藥有限公司)
"Jiaozuo Joincare"	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd.* (焦作健康元生物製品有限公司)
"Haibin Pharma"	Shenzhen Haibin Pharmaceutical Co., Ltd.* (深圳市海濱製藥有限公司)
"Blue Treasure Pharma"	Guangdong Blue Treasure Pharmaceutical Co., Ltd.* (廣東藍寶製藥有限公司)
"Livzon Gene"	Livzon Gene Diagnostics Inc.* (珠海市麗珠基因檢測科技有限公司)
"Lizhu HK"	Lizhu (Hong Kong) Co., Limited* (麗珠(香港)有限公司)
"Zhuhai Sanmed"	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

DEFINITIONS *(continued)*

"RMB"	Renminbi, the lawful currency of the PRC
"HKD" or "HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"MOP"	Macau Patacas, the lawful currency of Macau
"USD"	US dollars, the lawful currency of the United States
"JPY"	Japanese Yen, the lawful currency of Japan
"Euro"	Euro, the currency of 19 nations of the European Union
"Cninfo"	www.cninfo.com.cn (巨潮資訊網)
"Company's website"	the website of the Company (www.livzon.com.cn)
"HKExnews"	the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk)
"COVID-19 pandemic"	the outbreak of novel coronavirus disease (COVID-19)

I. COMPANY INFORMATION

	A Shares	H Shares
Stock abbreviation	Livzon Group	Livzon Pharma ^{Note 1} , 麗珠H代 ^{Note 2}
Stock code	000513	01513 ^{Note 1} , 299902 ^{Note 2}
Amended stock abbreviation (if any)	Not applicable	
Stock exchange of listed securities	Shenzhen Stock Exchange	The Stock Exchange of Hong Kong Limited
Chinese name of the Company	麗珠醫藥集團股份有限公司	
Abbreviation of the Chinese name	麗珠集團	
English name of the Company	LIVZON PHARMACEUTICAL GROUP INC.*	
Abbreviation of the English name	LIVZON GROUP	
Legal representative of the Company	Zhu Baoguo (朱保國)	
Registered address in the PRC	Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai City, Guangdong Province, the PRC	
Postal code of registered address in the PRC	519090	
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.

* For identification purpose only

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

II. CONTACT PERSONS AND CONTACT DETAILS

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

III. INFORMATION DISCLOSURE AND PLACES FOR INSPECTION

Name of media selected by the Company for information disclosure	China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily
Website designated by the CSRC for publication of the Report	www.cninfo.com.cn
Website for publication of the Report in Hong Kong	www.hkexnews.hk, www.livzon.com.cn
Place at which the Report is available for inspection	Secretariat for the Board of the Company, the Company's principal place of business in Hong Kong

DRUG PREPARATION PRODUCTS

Ilaprazole Enteric-Coated Tablets For treatment of duodenal ulcers and reflux esophagitis. 	Leuporelin Acetate Microspheres for Injection Endometriosis; hysteromyoma; premenopausal breast cancer with estrogen receptor positive; prostate cancer; central precocious puberty. 	Perospirone Hydrochloride Tablets For treatment of schizophrenia. 	Anti-viral Granules Used for clearing heat, eliminating dampness, cooling blood and detoxifying. For treatment of upper respiratory tract infection and influenza. 
ILAPRAZOLE SODIUM FOR INJECTION For treatment of Peptic ulcer hemorrhage. 	Urofollitropin for Injection For treatment of anovulation and sufferers for whom Clomifene Citrate produces no curative effect and to assist ovarian hyperstimulation of reproductive technology. 	Shenqi Fuzheng Injection Benefiting vital energy and strengthening physique. For the treatment of weakness and tiredness, lassitude, spontaneous sweating, vertigo which are caused by the energy deficiency of lung and spleen; the adjuvant therapy for the patients of lung cancer and stomach cancer with the above symptoms. 	

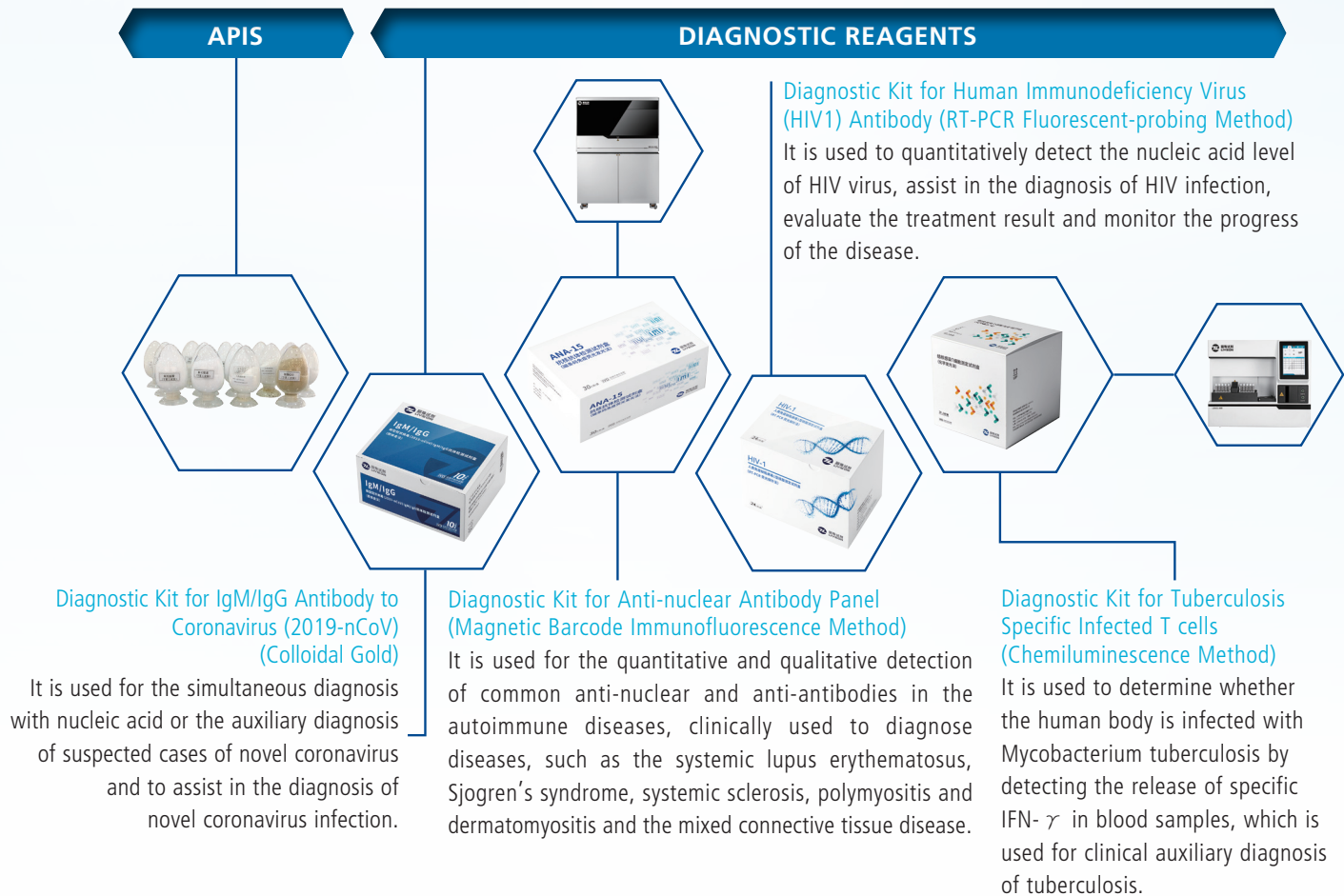
IV. CHANGE OF REGISTRATION DETAILS

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

V. OTHER RELEVANT INFORMATION

1. Accounting firm appointed by the Company

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



SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

V. OTHER RELEVANT INFORMATION *(Continued)*

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

Authorized representatives appointed pursuant to the Hong Kong Listing Rules	Tang Yanggang (唐陽剛), Yang Liang (楊亮)
Company Secretary	Yang Liang (楊亮)
Alternate authorized representative	Yuan Ailing (袁藹鈴)
Name of H Share Registrar	Tricor Investor Services Limited
Address of H Share Registrar	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

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

☒ Applicable ☐ Not applicable

Name of Sponsor	Office address of Sponsor	Name of representatives of Sponsor	Period of continuous supervision
Minsheng Securities Co., Ltd.	Level 16-18, Block A, Minsheng Financial Centre, 28 Jianguomen Nei Avenue, Dongcheng District, Beijing	Yu Chunyu (于春宇), Xu Weili (徐衛力)	From 20 September 2016 to 31 December 2020

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

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

☐ Applicable ☒ Not applicable

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

VI. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD AND CORRECTION OF ACCOUNTING ERRORS

☒ Applicable ☐ Not applicable

1. Changes in accounting policies

☒ Applicable ☐ Not applicable

On 25 March 2020, the 37th meeting of the ninth session of the Board of the Company considered and approved the Resolution Regarding Changes in the Accounting Policies. The Company made corresponding changes to its accounting policies in accordance with the Accounting Standards for Enterprises No. 12 – Debt Restructuring and the Accounting Standards for Enterprises No. 7 – Exchange of Non-monetary Assets promulgated by the Ministry of Finance of the People’s Republic of China. These changes became effective from 1 January 2019.

On 22 March 2021, the 14th meeting of the tenth session of the Board of the Company has considered and approved the Resolution Regarding Changes in the Accounting Policies. The Company has made corresponding changes to its accounting policies in accordance with the Interpretation of Accounting Standards for Enterprises No. 13 promulgated by the Ministry of Finance of the People’s Republic of China. These changes has become effective from 1 January 2020.

2. Changes in accounting estimates

☐ Applicable ☒ Not applicable

3. Correction of accounting errors

☐ Applicable ☒ Not applicable

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

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

1. Whether the Company has made retrospective adjustments or restatements of accounting data of prior years due to changes in accounting policies and correction of accounting errors

☐ Yes ☒ No

Unit: RMB'000

Item	2020	2019	Year-on-year change	2018	2017	2016
Operating income	10,520,409.84	9,384,695.84	12.10%	8,860,655.67	8,530,968.60	7,651,775.29
Net profit attributable to Shareholders of the Company	1,714,910.39	1,302,875.44	31.63%	1,082,174.91	4,428,684.56	784,353.61
Net profit attributable to Shareholders of the Company after deduction of extraordinary gains and losses	1,431,549.40	1,191,535.17	20.14%	947,216.31	820,022.56	682,466.19
Net cash flow from operating activities	2,160,760.61	1,767,162.88	22.27%	1,267,621.18	1,315,865.47	1,279,215.04
Total profit	2,489,435.69	1,727,542.39	44.10%	1,416,674.35	5,724,922.79	1,005,061.18
Basic earnings per share (RMB/share)	1.83	1.39	31.65%	1.16	4.79	0.90
Diluted earnings per share (RMB/share)	1.83	1.39	31.65%	1.16	4.77	0.90
Basic earnings per share after deduction of extraordinary gains and losses (RMB/share)	1.53	1.27	20.47%	1.02	0.89	0.78
Weighted average return on Equity	14.86%	12.02%	Increased by 2.84 percentage points	10.15%	51.17%	15.48%
Return on equity attributable to Shareholders of the Company	14.16%	11.67%	Increased by 2.49 percentage points	10.16%	41.11%	12.06%
Ratio of equity attributable to Shareholders of the Company to total assets	58.80%	62.12%	Decreased by 3.32 percentage points	61.09%	67.76%	61.79%

Item	31 December 2020	31 December 2019	Change as at the End of the Year from the Beginning of the Year	31 December 2018	31 December 2017	31 December 2016
Total assets	20,590,815.79	17,976,463.12	14.54%	17,437,346.86	15,897,730.72	10,529,262.95
Total liabilities	6,950,733.80	5,701,225.54	21.92%	5,687,469.95	4,664,107.16	3,423,624.45
Net assets attributable to shareholders of the Company	12,107,241.90	11,166,752.45	8.42%	10,651,977.47	10,772,739.77	6,505,987.40
Share capital	944,835.40	934,762.68	1.08%	719,050.24	553,231.37	425,730.13
Shareholders' equity per share attributable to shareholders of the Company (RMB/share)	12.81	11.95	7.20%	14.81	19.47	15.28

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) 939,095,504

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

Dividends paid for preferred shares —
Fully diluted earnings per share based on the most updated share capital (RMB/share) 1.83

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

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

2. Whether corporate debts exist

☐ Yes ☒ No

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

☐ Yes ☒ No ☐ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

IX. QUARTERLY PRINCIPAL FINANCIAL INDICATORS

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<i>Unit: RMB</i>				
Operating income	2,504,726,157.29	2,590,512,160.40	2,830,287,870.09	2,594,883,654.23
Net profit attributable to shareholders of the Company	399,359,225.27	605,384,384.81	416,803,873.94	293,362,906.34
Net profit attributable to shareholders of the Company after deduction of extraordinary gains and losses	402,586,510.69	431,972,710.90	344,474,609.92	252,515,570.17
Net cash flow from operating activities	362,846,660.41	510,730,275.65	644,299,049.45	642,884,620.91

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

☐ Yes ☒ No

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

X. ITEMS AND AMOUNTS OF EXTRAORDINARY GAINS AND LOSSES

☒ Applicable ☐ Not applicable

Item	Amount in 2020	Unit: RMB	
		Amount in 2019	Amount in 2018
Gains and losses on disposal of non-current assets (including the written-off portion of provisions made for asset impairment)	102,626,734.17	460,273.31	15,792,181.49
Government grants included in profit and loss for current period (except for government grants closely associated with corporate businesses, entitled at fixed amount or fixed level according to the national unified standards)	215,501,383.39	154,959,775.56	257,704,892.65
Profit or loss on debt restructuring	-298,617.11	—	—
Gains and losses on fair value changes incurred from financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and investment income on disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments, except for effective hedging activities related to the ordinary operating business of the Company	40,989,100.48	-9,792,768.00	-55,583,678.31
Other non-operating income and expenses apart from the above items	-11,013,482.07	-2,392,090.75	-32,985,967.52
Less: income tax effect	48,109,083.87	20,785,731.83	27,784,750.10
Effect of minority interests (after tax)	16,335,046.31	11,109,186.82	22,184,077.88
Total	283,360,988.68	111,340,271.47	134,958,600.33

For items of extraordinary gains or losses defined by the Company according to the definitions as set out in the “Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No.1 – Extraordinary Gains or Losses”, and items of extraordinary gains or losses illustrated in the “Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No.1 – Extraordinary Gains or Losses” which are defined as items of recurring gains or losses, the Company shall provide the reasons

☐ Applicable ☒ Not applicable

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

I. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE YEAR

During the Year, there was no material change in the principal businesses of the Group. The Group was primarily engaged in the research and development ("R&D"), production and sale of pharmaceutical products, which covered drug preparation products, active pharmaceutical ingredients ("APIs") and intermediates as well as diagnostic reagents and equipment. Major products include drug preparation products such as Ilaprazole (Ilaprazole Enteric-Coated Tablet and Ilaprazole Sodium for Injection) (壹麗安(艾普拉唑腸溶片及注射用艾普拉唑鈉)), a series of Bismuth Potassium Citrate (麗珠得樂(枸橼酸鉍鉀)) products, Rabeprazole Sodium Enteric-Coated Capsules (麗倍樂(雷貝拉唑鈉腸溶膠囊)), Weisanlian (Bismuth Potassium Citrate Tablets/Tinidazole Tablets/Clarithromycin Tablets (維三聯(枸橼酸鉍鉀片/替硝唑片/克拉霉素片)), 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 (2019-nCoV) (Colloidal Gold) (新型冠狀病毒(2019-nCoV) IgM/IgG抗體檢測試劑盒(膠體金法)), Diagnostic Kit for IgM Antibody to Mycoplasma Pneumonia (Colloidal Gold) (肺炎支原體IgM抗體檢測試劑盒(膠體金法)) and Diagnostic Kit for Antibody to Human Immunodeficiency Virus (ELISA) (人類免疫缺陷病毒抗體檢測試劑盒(酶聯免疫法)).

II. MATERIAL CHANGES IN MAJOR ASSETS

1. Material Changes in Major Assets

Major assets	Details of material changes
Equity assets	Increased by 39.54%, which was mainly due to new external investment.
Other equity instrument investment	Increased by 54.87%, which was mainly due to new external investments and increase in fair value of investments.
Fixed assets	Increased by 4.52%, there was no material change in the Year.
Intangible assets	Increased by 2.99%, there was no material change in the Year.
Construction in progress	Increased by 65.19%, which was mainly due to the investment in the construction of new plants and workshops of the subsidiaries.
Non-current assets due within one year	Decreased by 34.76%, which was mainly due to the collection of consideration for transfer of certain equity interests in a subsidiary in the Year.
Other current assets	Decreased by 64.02%, which was mainly due to the recovery of funds for cash management.
Development expenditure	Increased by 69.28%, which was mainly due to the increase in R&D expenses arising from the phase III clinical trial of Recombinant Humanized Anti-IL-6R Monoclonal Antibody for Injection (重組人源化抗人IL-6R單克隆抗體注射液).
Deferred income tax assets	Increased by 30.42%, which was mainly due to the provision for the special funds of the Medium to Long-term Business Partner Share Ownership Scheme and increase in other deductible temporary differences.

2. Major Foreign Assets

☐ Applicable ☒ Not applicable

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 research and development and enhanced marketing management continuously, thereby achieving stable growth in the performance results. During the Year, 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 research and development (“R&D”) capabilities and global R&D vision in areas such as chemical and traditional Chinese drug 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 endusers 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 Year, 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 IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

I. BUSINESS SCOPE

For the principal businesses of the Group during the Year, please refer to Section III “PRINCIPAL BUSINESSES OF THE COMPANY DURING THE YEAR” of the Report.

II. SUMMARY

Since the beginning of 2020, the outbreak of novel coronavirus pneumonia (“COVID-19”) resulted in an anti-epidemic atmosphere across the nation. The Group responded immediately and donated materials to assist all people in China to fight against the epidemic, while preventive controls were put in place within the Group, effective measures were actively organized and adopted to ensure rapid recovery and orderly operation of various businesses, high quality sustainable development was further realized.

During the Year, the Group recorded an operating income of RMB10,520.41 million, representing an increase of 12.10% as compared with RMB9,384.70 million of the Previous Year; a net profit of RMB2,131.33 million, representing an increase of 45.82% as compared with RMB1,461.58 million of the Previous Year; and a net profit attributable to Shareholders of the Company of RMB1,714.91 million, representing an increase of 31.63% as compared with RMB1,302.88 million of the Previous Year. Excluding extraordinary gains and losses, the Company’s net profit attributable to its Shareholders generated from principal businesses in 2020 was RMB1,431.55 million, representing an increase of 20.14% as compared with RMB1,191.54 million of the Previous Year.

In 2020, the progress of major tasks in various business segments of the Group was set out as follows:

(1) Chemical drug preparation products

During the Year, the Group realized sales revenue of RMB5,402.94 million from chemical drug preparation products, representing a year-on-year increase of 9.56% and accounting for 51.64% of the Group’s income from principal businesses for the Year. Among which, the innovative drug Ilaprazole (艾普拉唑) and the high-barrier complex preparation drug Leuporelin Sustained Release Microspheres (亮丙瑞林缓释微球) maintained a high growth, accounting for 54.46% of sales revenue of chemical drug preparation products, and the contribution of which to the operating income and profit further improved.

The Group regarded R&D innovation as the basis for sustainable development, thus continued to increase investments in R&D and accelerate innovative upgrading. The Group has been paying attention to unfulfilled clinical demand, with efforts focused on innovative drugs and high-barrier complex preparation products. With these efforts, the layout of products in the psychiatry, oncology and immunity areas were strengthened based on our traditional segments of assisted reproduction and gastroenterology on which we have advantages. During the Year, the medical teams, clinical teams and KA (key accounts) departments worked in close collaboration and achieved notable acceleration in the R&D progress of key products under research, a number of important progressive developments were also achieved in the pipelines under research:

Complex preparations: The project of Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) (1-month sustained release) completed patient enrollment for phase III clinical trial; the project of Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) (one-month sustained release) received notice for clinical trial and is currently under the stage of phase I clinical trial; the project of Octreotide Acetate Microspheres for Injection (注射用醋酸奥曲肽微球) (1-month sustained release) received notice for clinical trial and has initiated BE testing; while the project of Leuporelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) (3-month sustained release) began phase I clinical trial and completed genetic filing for phase III clinical trial;

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

II. SUMMARY *(continued)*

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

Conventional preparations: Dantrolene Sodium for Injection (注射用丹曲林鈉), a drug for curing malignant hyperthermia, had obtained approval for launching in the market, Cetorelix Acetate for Injection (注射用醋酸西曲瑞克) had been filed for registration in China and United States, Voriconazole for Injection (注射用伏立康唑) (0.2g) had applied for market launch, Blonanserin Tablets (布南色林片) and new indications of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) received notice for clinical trials;

Consistency evaluation: Tinidazole Tablets (替硝唑片) and Amlodipine Besylate Capsules (苯磺酸氨氯地平膠囊) obtained consistency evaluation approvals.

While enhancing independent innovation continuously, the Company continued to increase efforts on strategic cooperation, kept on paying attention to forefront technology and accelerated innovative R&D and international industry layout. During the Year, the Company entered into licensing cooperation with TYK Medicines, Inc.* (浙江同源康醫藥股份有限公司) on ROS1/NTRK/ALK multiple target kinas inhibitor (ROS1/NTRK/ALK多激酶小分子抑制劑), entered into licensing cooperation with LTS Lohmann Therapie-Systeme AG of Germany on Transdermal therapeutic system containing Asenapine (阿塞那平透皮貼劑), and joined Shanghai Institute of Organic Chemistry of the Chinese Academy of Sciences (中國科學院上海有機化學研究所) to establish a research center of innovative protein degradable drug (創新蛋白降解藥物研究中心). Meanwhile, a wholly-owned subsidiary of the Company also participated in the Round B equity financing investment in an innovative pharmaceutical enterprise, Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd.* (江蘇新元素醫藥科技有限公司).

In 2020, the marketing team implemented sales deployment actively, increasing promotional efforts in products and brands: firstly, coverage and fulfillment of evaluation indicators on key product categories were enhanced, the hospital coverage of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) expanded notably with rapid increase in quantity; secondly, combinations with other categories were formed through Ilaprazole to realize coverage of more categories and increase in production quantity, and prescription drugs recovered obviously in the second half of the Year; thirdly, professional and refined management were strengthened with continuous improvements in sales team of the psychiatric specialist, and the growth in Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片), a product of psychiatric specialist, accelerated and doubled after admission to the National Reimbursement Drug List; fourthly, marketing with evidential support continued to expand, a total of 8 core guidelines for key products including the Ilaprazole (艾普拉唑) series, Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片) and Dantrolene Sodium for Injection (注射用丹曲林鈉) were adopted, and post-launching clinical research and economic research on drugs were progressing orderly, which drove further growth in the products.

In 2020, in terms of international business layout, a new international business team was comprehensively streamlined and established, the head officer for international business of drug preparation was recruited, and the Southeast Asia office was set up. Meanwhile, efforts were focused on core products such as assisted reproduction and gastroenterology and on platforms of sustained release microspheres and biologics, innovative business cooperation models were developed in global core regional markets, and 11 business cooperation agreements were signed during the Year on product categories already marketed and under research. At the same time, the technological transfer cooperation projects of some products were started in Russia, India and other regions. In terms of international registration, Itopride Tablets (伊托必利片) and Urofollitropin for Injection (注射用尿促卵泡素) obtained approvals in Uzbekistan and Cambodia, new applications for registration were also made for product categories such as Ilaprazole (艾普拉唑) series and Urofollitropin for Injection (注射用尿促卵泡素) in countries such as Indonesia and Mongolia.

II. SUMMARY *(continued)*

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

In order to strengthen the whole life cycle management of drug and the risk management of drug safety, the Group has formulated relevant management systems and management measures for drug tracing, permit-holders for the sale of drugs and random inspection. Contingency plan for responsive plans in material drug safety emergency events, random inspection process and work process of production on-site inspection for drug registration were formulated and announced to guide each production enterprise to realize daily standardized management and handle contingent and emergency events. To prevent loopholes in quality management, regional and systematic risks, the quality management head department of the Company formulated inspection rules under the six major GMP systems, pursuant to which the quality risks of the relevant key products were screened thoroughly and systematically, further enhancing the sound operation of the quality management system of the Group.

As at the end of 2020, the quality management head department of the Company had conducted a total of 42 audits, including 11 cross-examinations, 6 specific/random inspections for production of drug preparations, 8 simulated inspections for R&D projects and 6 specific inspections for R&D projects. In 2020, the Company was newly added as the applicant for market launch of some new products under research. Meanwhile, the MAH quality department was established to be responsible for the building and operation of the MAH (Marketing Authorization Holder) quality system and clearance approval management for market launch of future products.

(2) Biologics

In 2020, the Group supplemented the structure and team members and optimized allocation of resources around the three major aspects of "project, team and platform" in the field of biologics. R&D of biologics are conducted in the areas of oncology, immune disease and assisted reproduction. Firstly, the focus was on new molecules, new targets and differentiated molecular design and optimizing the new drug R&D and evaluation technology platform for biologics continuously. Secondly, the cell therapy technology R&D platform was optimized to achieve breakthrough in solid tumor and common cell therapeutic areas.

During the Year, our platform for biologics focused on core R&D projects, enhanced the process management for projects and emphasized on both quality and timeliness of R&D, while closer cooperation was fostered between the Group's clinical operation department and medical science department, R&D efficiency was enhanced: manufacturing on-site inspection and registration examination for Recombinant Human Chorionic Gonadotropin for Injection (注射用重組人絨促性素) were completed, while overseas registration began simultaneously; patient enrollment for phase III clinical trial of Recombinant Humanized Anti-IL-6R Monoclonal Antibody for Injection (重組人源化抗人IL-6R單克隆抗體注射液) was completed; phase Ib/II clinical trial for registration of 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) for thymic cancer completed two-thirds of patient enrollment; approvals for clinical trials of Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody Injection (重組抗人IL-17A/F人源化單克隆抗體注射液) and Recombinant Tumor Enzyme Specific Interferon α -2b Fc Fusion for Injection (注射用重組腫瘤酶特异性干擾素 α -2b Fc融合蛋白) were obtained and phase I clinical trials had begun.

In terms of organization structure, LivzonBio gradually improved its organization structure and team building to match with the structural reorganization and reforms of the Group in the area of biologic.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

II. SUMMARY *(continued)*

(3) APIs and intermediates

In 2020, the Company's API business department to adhered to the guiding philosophy of "safeguarding safety and environmental protection, ensuring quality, reducing costs and grabbing the market", made great and practical efforts to continue to strengthen its work in EHS, quality, R&D, production and sales. During the Year, the Group realized sales revenue of RMB2,440.26 million from APIs and intermediates products, representing a year-on-year increase of 3.84%, and accounting for 23.32% of the Group's income from principal businesses for the Year. The percentage of sales revenue and profit of specialty APIs continued to increase, the gross profit margin increased by 1.20 percentage points when compared with the Previous Year with increasing growth in profitability.

Although the market was affected by COVID-19 pandemic in 2020, with the continuous increase in overseas registration of key products, the competitiveness and market share of API products in overseas market further increased. In particular, high-end antibiotic products with Vancomycin Hydrochloride (鹽酸萬古霉素) as the core had seen further growth in the European and American markets; we continued to maintain strategic partnerships with and obtained orders from major customers in respect of intermediate products; we established strategic partnerships with major animal healthcare companies in respect of high-end pet products.

During the Year, our R&D capabilities in the field of APIs continued to improve: in respect of fermentation R&D, we completed the verification and batch production stage for industrialization of Dalbavancin (達巴萬星), Oritavancin (奧利萬星) and Telavancin (特拉萬星) products; we completed the technology upgrades and production of old products, and carried out the modification and fermentation optimization of multiple strains; in respect of synthesis R&D, we completed the Route C development, process optimization and scale-up batch production of Pimofanserin Tartrate (酒石酸匹莫范色林) crystal; we completed the independent R&D and industrialization of two Lana (拉那) products; in respect of the R&D of animal healthcare products, we completed the R&D of three product specifications and successfully achieved industrialization verification and batch production. In addition, in order to integrate and strengthen external R&D human resources and R&D capabilities and strengthen the innovative R&D of biomedical intermediates and high-end specialty APIs, Xinbeijiang Pharmaceutical and Jiaozuo Joicare jointly invested and established a company for R&D of APIs during the Year.

II. SUMMARY *(continued)*

(3) APIs and intermediates *(continued)*

During the Year, we continued to increase investment in safety and environmental protection. At the same time, by strengthening the cost analysis of each aspect of our production and optimizing product technology, the gross profit margin of products continued to increase. While promoting the normalization of GMP, each manufacturing enterprise actively promoted international certification. We have obtained additional international certifications for 20 projects of 13 products in 2020, which mainly include: 5 products were approved with 6 CEP certificates issued by the European EDQM, namely Vancomycin Hydrochloride micropowder (鹽酸萬古霉素微粉), Vancomycin Hydrochloride freeze-dried powder (鹽酸萬古霉素凍乾粉), Colistin Methane Sulfonate (粘菌素甲烷磺酸鈉), Milbemycin Oxime (米爾貝肟), Moxidectin (莫西克汀) and Hydrochloride Lincomycin (鹽酸林可霉素); Tobramycin Sulfate (硫酸妥布霉素) was approved for registration by the US FDA; Moxictin (莫昔克丁) was approved for registration in Australia; and Pentostatin (噴司他汀) was approved for registration in Japan. As at 31 December 2020, the Group had completed 84 registration projects for a total of 28 products in 49 countries/regions.

As at 31 December 2020, the Group's APIs had passed 16 on-site inspections of international certification, obtained 48 certificates for international certification during the validity period (of which 4 varieties have passed FDA on-site inspections and 12 varieties have obtained CEP certificates) and 2 qualification certificates.

(4) Diagnostic reagents and equipment

During the Year, the Group's diagnostic reagents and equipment realized sales revenue of RMB1,382.77 million, representing a year-on-year increase of 83.29%, and accounting for 13.22% of the Group's income from principal businesses for the Year.

In 2020, under the impact of the pandemic, the original in vitro diagnosis products for respiratory diseases and epidemics were affected due to the falling volume of outpatient and inpatient cases in end-user medical institutions, but sales revenue from self-produced reagent products for HIV, HCV, TP and other contagious diseases and other areas remained stable. In mid-March 2020, the Diagnostic Kit for IgM/IgG Antibody to Coronavirus (2019-nCoV) (Colloidal Gold) (新型冠狀病毒(2019-nCoV) IgM/IgG抗體檢測試劑盒(膠體金法)) of Livzon Diagnostics was approved for launch in domestic market, and received registration approvals consecutively from 15 countries and regions. During the first half of 2020, with overseas outbreak of COVID-19 on a large scale, the demand for COVID-19 diagnostic products in export markets increased significantly, giving an important support to the growth of the Group's overall performance. By the end of 2020, two types of COVID-19 diagnostic products also received the European Union CE certification: Diagnostic Kit for Antigens of SARS-CoV-2 (Latex method) (新冠抗原檢測試劑盒(乳膠法)) of Livzon Diagnostics and Diagnostic Kit for Antigens of SARS-CoV-2 (Immunofluorescence method)(新冠抗原檢測試劑盒(免疫螢光法)) of Livzon Diagnostics have increased the types of COVID-19 diagnostic reagents available, which expanded the supply of diagnostics kits to novel coronavirus and further satisfy the global needs of preventive control over the spread of pandemic.

With the export of COVID-19 diagnostic reagents, Livzon Diagnostics has established an overseas sales division which lay a foundation for the expansion of other diagnostic products into overseas markets in the future. As at 31 December 2020, a total of 16 products of Livzon Diagnostics obtained CE certification from European Union; 8 technology platforms have passed TUV on-site inspections and 1 quality certification was obtained.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

II. SUMMARY *(continued)*

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

Livzon Diagnostics has established 7 core technology platforms based on its strengths and strategic disease categories for the purpose of satisfying clinical and user needs, and continued to create the R&D layout for self-developed innovative new products, including industry-advanced special platform technologies such as multi-liquid chip (多重液芯), single-person chemiluminescence (單人份化學發光) and diagnostic for molecular nucleic acid (分子核酸檢測). During 2020, products of the above platforms achieved successful market introduction and received good customer feedback. During the Reporting Period, a total of 28 domestic new product registration certificates were received from the multi-liquid chip platform, chemiluminescence platform and molecular nucleic acid diagnostic platform, including 7 for Class III medical devices, 21 for Class II medical devices and completion of filing for 8 products of Class I medical devices.

In order to deepen the Group's strategic layout in the industrial chain of diagnostic reagents and increase the scale and strength of its business segment of diagnostic reagents, as well as to further strengthen the profitability and comprehensive competitiveness of Livzon Diagnostics, the general meeting of the Company approved the spin-off and listing of Livzon Diagnostics on the ChiNext Board of Shenzhen Stock Exchange in November 2020. In November 2020 and February 2021, Livzon Diagnostics lodged a registration in respect of the commencement of the tutoring period and submitted the record report of the first interim tutoring with the Guangdong administration of the CSRC, respectively.

(5) Traditional Chinese drug preparation products

During the Year, the traditional Chinese drug preparation products of the Group realized sales revenue of RMB1,207.27 million, representing a year-on-year decrease of 5.78%, accounting for 11.54% of the Group's income from principal businesses for the Year.

In 2020, under the impact of the pandemic, the volume of outpatient and emergency services in hospitals fell. Although Shengqi Fuzheng Injection (參芪扶正注射液) was affected to a certain extent, however, with active deployment of the Group's marketing team, our key traditional Chinese drug preparation products such as Anti-viral Granules (抗病毒顆粒) and Pediatric Lung-heat Cough Granules (小兒肺熱咳喘顆粒) entered into the relevant guidebook for diagnostic treatment of COVID-19. During the pandemic, various online academic marketing activities were organized, new media were fully utilized for branding communication and interactions, product coverage at terminals such as chain pharmacy stores continued to expand, sales of Anti-viral Granules (抗病毒顆粒) achieved continuous growth.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

II. SUMMARY *(continued)*

(6) Functions and Strategies

At the beginning of 2020 after the outbreak of the pandemic, the Company responded rapidly and successively donated cash and medicines in value of over RMB16.00 million to Red Cross Society of Zhuhai, Wuhan and other places to fight the pandemic and fulfilled our corporate social responsibilities.

During the Year, the Group revamped the corporate cultural values to pursue the goal of “becoming a leader in the pharmaceutical industry”, achieve the mission of “prioritizing the quality of life of the patients” and follow the basic development theme of “back to square one and start all over again”, by focusing on pharmaceuticals as core business, enhancing the strengths of innovative drugs and complex preparations platform with high barriers continuously, increasing investments in technological and management innovations, improving corporate capabilities for sustainable development comprehensively through digital and intelligent new technologies and new models, performing social responsibilities actively and striving to realize high quality development for the Company. The key tasks in the functional areas were as follows: firstly, further optimized the organizational structure and institutional settings of the Group and some units to improve performance in terms of efficiency; secondly, enhanced attraction and reserve of middle and high level talents from around the world in the fields of biologics, chemical medicine, pet preparations, etc., while strengthening associations with higher education institutions such as Shanghai Jiao Tong University (上海交通大學), China Medical University (中國醫科大學) and China Academy of Sciences (中國科學院) and establishing cooperative relationship between universities and enterprises; thirdly, reshaped our corporate culture system and established a set of highly united core values; fourthly, improved capital management efficiency and return on capital, strengthened the tax planning function, streamlined the foreign exchange risk management system and optimized the building of financial informatization; and fifthly, the environmental, social and governance committee was established under the Board of the Group to assist the Board in decision-making the relevant matters of environmental, social and corporate governance issues to facilitate the continuous enhancement of the Group’s environmental, social and governance level.

During the Year, the Company repurchased a total of 6,093,808 A Shares through centralized bidding transactions for a total amount of approximately RMB250 million (including transaction costs). Afterwards, the Company also initiated the H Share repurchase plan, and convened the Board meeting and the general meeting in November 2020 and December 2020, respectively, to consider and approve the general mandate to repurchase the H Shares of the Company. As at the date of disclosure of this Report, the Company has repurchased 6,628,600 H Shares.

III. ANALYSIS OF PRINCIPAL BUSINESSES

1. Summary

Whether it is the same as the summary disclosed in the operation discussion and analysis

☒ Yes ☐ No

Please refer to the “Summary” in Section IV of the Report for relevant information.

2. The future development and plans disclosed in published documents such as prospectus, offering circular and assets 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 assets restructuring report.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

III. ANALYSIS OF PRINCIPAL BUSINESSES *(Continued)*

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 principal businesses

Unit: RMB

	2020		2019		Year-on-year change
	Amount	As a percentage of income of principal business	Amount	As a percentage of income of principal business	
Total income of principal businesses	10,463,074,011.54	100.00%	9,317,112,446.94	100.00%	12.30%
By industry					
Pharmaceutical manufacturing industry	10,463,074,011.54	100.00%	9,317,112,446.94	100.00%	12.30%
By areas					
Chemical drug preparation products	2,472,033,883.61	23.63%	1,755,053,839.75	18.84%	40.85%
Gastroenterology					
Cardio-cerebral vascular	264,983,750.98	2.53%	277,001,349.61	2.97%	-4.34%
Antimicrobial drug	382,865,260.29	3.66%	530,449,092.65	5.69%	-27.82%
Gonadotropic hormones	1,911,794,114.07	18.27%	1,822,871,047.47	19.57%	4.88%
Others	371,258,759.02	3.55%	545,910,084.92	5.86%	-31.99%
APIs and intermediates	2,440,263,424.49	23.32%	2,350,068,519.91	25.22%	3.84%
Traditional Chinese drug preparation products	1,207,266,790.70	11.54%	1,281,343,618.13	13.75%	-5.78%
Diagnostic reagents and equipment	1,382,771,032.90	13.22%	754,414,894.50	8.10%	83.29%
Others	29,836,995.48	0.28%	—	—	—
By region					
Domestic	8,737,922,577.51	83.51%	8,083,464,081.64	86.76%	8.10%
Overseas	1,725,151,434.03	16.49%	1,233,648,365.30	13.24%	39.84%

III. 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 for principal businesses	Gross profit margin	Year-on-year change in income from principal businesses	Year-on-year change in costs for principal businesses	Year-on-year change in gross profit margin
By areas						
Chemical drug preparation products	5,402,935,767.97	1,210,708,776.13	77.59%	9.56%	8.83%	Increased by 0.15 percentage point
APIs and intermediates	2,440,263,424.49	1,654,621,969.11	32.19%	3.84%	2.03%	Increased by 1.20 percentage points
Traditional Chinese drug preparation products	1,207,266,790.70	322,917,955.91	73.25%	-5.78%	2.01%	Decreased by 2.05 percentage points
Diagnostic reagents and equipment	1,382,771,032.90	414,121,484.63	70.05%	83.29%	41.25%	Increased by 8.91 percentage points
By region						
Domestic	8,737,922,577.51	2,724,751,497.10	68.82%	8.10%	7.02%	Increased by 0.32 percentage point
Overseas	1,725,151,434.03	907,455,684.16	47.40%	39.84%	13.72%	Increased by 12.08 percentage points

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

☐ Applicable ☒ Not applicable

During the Year, the Group's principal businesses generated an operating income of RMB10,463.07 million, representing an increase of RMB1,145.96 million or 12.30% as compared with RMB9,317.11 million of the Previous Year. In particular, income from chemical drug preparation products increased by 9.56% year-on-year and income from APIs and intermediates increased by 3.84% year-on-year.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

III. 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 *(continued)*

During the Year, the sales income and year-on-year change of key drug preparation products are as follows: the sales income generated by key gonadotropic hormones products Leuporelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) amounted to RMB1,176.32 million, representing a year-on-year increase of 27.01%, and the sales income generated by Urofollitropin for Injection (注射用尿促卵泡素) amounted to RMB512.76 million, representing a year-on-year decrease of 18.15%. The sales income generated by key gastroenterological product Ilaprazole series (艾普拉唑系列) amounted to RMB1,765.91 million, representing a year-on-year increase of 81.20%. In particular, the sales income generated by Ilaprazole Enteric-Coated Tablet (艾普拉唑肠溶片) amounted to RMB945.10 million, representing a year-on-year increase of 8.84%; the sales income generated by Ilaprazole Sodium for Injection (注射用艾普拉唑钠) amounted to RMB820.81 million, representing a year-on-year increase of 672.61%; the sales income generated by Rabeprazole Sodium Enteric-coated Capsules (雷贝拉唑钠肠溶胶囊) amounted to RMB198.24 million, representing a year-on-year decrease of 19.57%; the sales income generated by the Bismuth Potassium Citrate series (得樂系列) amounted to RMB222.41 million, representing a year-on-year increase of 7.16%; the sales income generated by Livzon Weisanlian (麗珠維三聯) amounted to RMB241.96 million, representing a year-on-year decrease of 4.24%. The sales income generated by key psychiatric products, Fluvoxamine Maleate Tablets (馬來酸氟伏沙明片) and Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片), amounted to RMB171.47 million and RMB107.19 million respectively, representing a year-on-year increase of 33.00% and 101.78% respectively. The sales income generated by key antimicrobial product Voriconazole for Injection (注射用伏立康唑) amounted to RMB204.32 million, representing a year-on-year decrease of 16.85%. The sales income generated by traditional Chinese drug preparation product Shenqi Fuzheng Injection (參芪扶正注射液) amounted to RMB606.04 million, representing a year-on-year decrease of 25.81%. The sales income generated by Anti-viral Granules (抗病毒顆粒) amounted to RMB462.15 million, representing a year-on-year increase of 52.02%.

The income and year-on-year change of key APIs and intermediates are as follows: the sales income generated by Phenylalanine (苯丙氨酸) amounted to RMB331.86 million, representing a year-on-year increase of 32.42%; the sales income generated by Acarbose (阿卡波糖) amounted to RMB205.59 million, representing a year-on-year decrease of 18.69%; the sales income generated by Vancomycin Hydrochloride (鹽酸萬古霉素) amounted to RMB143.69 million, representing a year-on-year increase of 5.97%; the sales income generated by Daptomycin (達托霉素) amounted to RMB97.60 million, representing a year-on-year increase of 34.52%; the sales income generated by Lincomycin (林可霉素) amounted to RMB82.69 million, representing a year-on-year increase of 32.27%; the sales income generated by Milbemyin Oxime (米爾貝肟) amounted to RMB81.07 million, representing a year-on-year decrease of 39.11%; and the sales income generated by Mevastatin (美伐他汀) amounted to RMB81.92 million, representing a year-on-year decrease of 43.82%.

The growth of the Group's income of principal businesses was primarily due to the Company's ongoing dedication to the marketing system reforms and implementation of refined management, with continuous enhancement of sales income from key drug preparation products as a percentage to the total operating income. For example, there was a rapid substantial increase in the sales of Ilaprazole Sodium for Injection (注射用艾普拉唑钠), a key product of our chemical drug preparation, as compared with that during the Previous Year together with a continuous greater growth in the sales of Leuporelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球), Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片) and Fluvoxamine Maleate Tablets (馬來酸氟伏沙明片) compared with those during the Previous Year, and owing to the pandemic, a significant growth in the sale of Anti-viral Granules (抗病毒顆粒), a key product of our Traditional Chinese drug preparation, as compared with that of the Previous Year, and additional sales of diagnostic kits for antibodies to novel coronavirus, which contributed to a significant support to the stable growth of the overall performance of the Company.

During the Year, the Group's total operating costs of principal businesses amounted to RMB3,632.21 million, representing an increase of RMB288.27 million or 8.62% as compared with RMB3,343.94 million of the Previous Year, which was mainly due to increase in costs for principal businesses in line with our increase in sales.

III. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

4. Income and costs *(continued)*

(3) Income from principal businesses by region

Unit: RMB

Regions	Amount for the Year		Amount for Previous Year	
	Income from principal businesses	Costs for principal businesses	Income from principal businesses	Costs for principal businesses
Domestic	8,737,922,577.51	2,724,751,497.10	8,083,464,081.64	2,545,952,333.03
Overseas	1,725,151,434.03	907,455,684.16	1,233,648,365.30	797,983,837.98
Total	10,463,074,011.54	3,632,207,181.26	9,317,112,446.94	3,343,936,171.01

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

☒ Yes ☐ No

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

Reasons for year-on-year change of over 30%

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

III. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

4. Income and costs *(continued)*

(6) Composition of operating costs

Unit: RMB

By industry	Item	2020		2019		Year-on-year change
		Amount	As a percentage of operating costs	Amount	As a percentage of operating costs	
Pharmaceutical industry	Costs of materials	2,535,640,378.38	69.02%	2,176,451,960.40	64.17%	16.50%
	Labour costs	384,208,335.33	10.46%	352,577,217.65	10.40%	8.97%
	Depreciation	211,790,804.86	5.77%	228,010,211.93	6.72%	-7.11%
	Energy and power	275,246,046.30	7.49%	259,567,928.90	7.65%	6.04%
	Others	601,773,829.98	16.38%	411,141,295.32	12.12%	46.37%
	Movements in inventories from the Beginning of the Period to the End of the Period	-334,948,621.17	-9.12%	-36,020,354.01	-1.06%	829.89%
	Operating costs	3,673,710,773.68	100.00%	3,391,728,260.19	100.00%	8.31%

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

☐ Applicable ☒ Not applicable

(8) Major customers and major suppliers

During the Year, sales to the five largest customers accounted for 8.09% (2019: 8.48%) of the income generated from the principal businesses of the Group, while purchases from the five largest suppliers accounted for approximately 27.36% (2019: 33.50%) of the Group's total purchases of raw materials. The five largest customers have been customers of the Group for 12.00 years on average, and the five largest suppliers have been suppliers of the Group for 11.40 years on average.

Major customers of the Company for the Year

Total sales to the five largest customers (RMB)	846,637,170.17
Total sales to the five largest customers as a percentage of the total sales for the Year	8.09%
Sales to related parties in the sales to the five largest customers as a percentage of the total sales for the Year	—

III. ANALYSIS OF PRINCIPAL BUSINESSES (continued)

4. Income and costs (continued)

(8) Major customers and major suppliers (continued)

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

☒ Applicable ☐ Not applicable

No.	Name of customer	Amount of sales (RMB)	As a percentage of the total amount of sales for the Year
1	First	204,092,749.44	1.95%
2	Second	163,572,331.77	1.56%
3	Third	163,483,281.40	1.56%
4	Fourth	157,935,251.62	1.51%
5	Fifth	157,553,555.94	1.51%
Total		846,637,170.17	8.09%

Other information about major customers

☐ Applicable ☒ Not applicable

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

Major suppliers of the Company for the Year

Total purchases from the five largest suppliers (RMB)	693,685,907.31
Total purchases from the five largest suppliers as a percentage of the total purchases for the Year	27.36%
Purchases from related parties in the purchases from the five largest suppliers as a percentage of the total purchases for the Year	10.13%

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

III. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

4. Income and costs *(continued)*

(8) Major customers and major suppliers *(continued)*

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

✓ Applicable ☐ Not applicable

No.	Name of supplier	Amount of purchases (RMB)	As a percentage of total purchases for the Year
1	First	256,905,158.82	10.13%
2	Second	136,849,508.45	5.40%
3	Third	124,887,700.83	4.93%
4	Fourth	95,580,596.68	3.77%
5	Fifth	79,462,942.53	3.13%
Total		693,685,907.31	27.36%

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

Other information about major suppliers

✓ Applicable ☐ Not applicable

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

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

III. ANALYSIS OF PRINCIPAL BUSINESSES (continued)

5. Expenses

During the Year, four types of expenses incurred by the Group, including selling expenses, administrative expenses, R&D expenses and finance expenses, amounted to RMB4,520.62 million in total, representing an increase of RMB285.96 million or 6.75% year-on-year. Details are as follows:

Unit: RMB

	2020	2019	Year-on-year change	Reasons for materials changes
Selling expenses	3,075,868,822.02	3,093,219,804.38	-0.56%	No material changes
Administrative expenses	664,290,132.84	629,346,060.48	5.55%	No material changes
Finance expenses	-103,638,803.65	-220,799,167.69	53.06%	Mainly due to the combined effect of the increase in interest expenditure in line with the increase in loans, decrease in interest income compared with that of the Previous Period as a result of downward trend of bank rate, and increase in exchange losses of foreign currency assets on hand as a result of fluctuations in exchange rates.
R&D expenses	884,095,367.52	732,891,738.02	20.63%	No material changes
Total	4,520,615,518.73	4,234,658,435.19	6.75%	

During the Year, the total income tax expenses were RMB358.11 million, representing an increase of RMB92.14 million or 34.65% year-on-year, which was mainly due to an increase in provision for income tax expense in line with an increase in profit.

6. Investment in research and development

✓ Applicable ☐ Not applicable

During the Year, the Group's total expenditure relating to research and development ("R&D") amounted to approximately RMB989.59 million (2019: RMB827.73 million), representing a year-on-year increase of 19.55%. The amount accounted for approximately 8.17% of the net assets attributable to Shareholders of the Company and approximately 9.41% (2019: 8.82%) of the Group's total operating income for the Year.

Overall progress of the Group's research and development efforts during the Year is as follows:

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

III. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

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

(1) Chemical drug preparation products

Complex preparations: There were a total of 6 projects under research, including 1 project in phase III clinical trial, 2 projects in phase I clinical trial, 1 project initiated BE testing, and 1 project applied for clinical trial; among which, the project of Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) (1-month sustained release) was in phase III clinical trial with the data being collated; the project of Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) (1-month sustained release) was in the process of phase I clinical trial; the project of Leuporelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) (3-month sustained release) conducted phase I clinical trial as scheduled and completed heredity filing for phase III clinical trial; the project of Octreotide Acetate Microspheres for Injection (注射用醋酸奥曲肽微球) (1-month sustained release) initiated BE testing; the project of Triptorelin Pamoate Microspheres for Injection (注射用雙羧基醋酸曲普瑞林微球) (3-month sustained release) had applied for clinical trial; and the project of Goserelin Acetate Sustained-release Implant (醋酸戈舍瑞林緩釋植入劑) (1-month sustained release) was in the stage of pharmaceutical research technique optimizing stage.

Conventional preparations: There were a total of 26 projects under research, of which 2 projects obtained approvals, 3 projects had applied for production, 5 projects started clinical trial/BE research, and 1 project had completed technical process verification. Among which, Dantrolene Sodium for Injection (注射用丹曲林鈉) and Carbohydrate and Electrolyte Injection (混合糖電解質注射液) obtained approval for market launch; Cetrorelix Acetate for Injection (注射用醋酸西曲瑞克) (in China and United States) and Voriconazole for Injection (注射用伏立康唑) (0.2g) had submitted application for market launch; Paclitaxel Polymeric Micelles for Injection (注射用紫杉醇聚合物膠束) was under phase I clinical trial; Lurasidone Hydrochloride Tablets (鹽酸魯拉西酮片) had prepared for official BE filing; Blonanserin Tablets (布南色林片) and new indications of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) received notices for clinical trials.

Consistency evaluation: There were a total of 21 projects under research, of which 2 projects obtained approvals, 6 projects had applied for production, 2 projects started BE research, and 1 project completed technical process verification. Tinidazole Tablets (替硝唑片) and Amlodipine Besylate Capsules (苯磺酸氨氯地平膠囊) obtained consistency evaluation approvals. Isosorbide Bononitrate Tablets (單硝酸異山梨酯片), Cefodizime Sodium for Injection (注射用頭孢地噻鈉), Omeprazole Sodium for Injection (注射用奧美拉唑鈉), Alanyl Glutamine Injection (丙氨酸穀氨酰胺注射液), Fluvoxamine Maleate Tablets (馬來酸氟伏沙明片) and Clarithromycin Tablets (克拉霉素片) were under evaluation.

(2) Biologics

There were a total of 9 projects under research, of which 1 project has applied for production, 1 project was in phase III clinical trial, 1 project was in phase Ib/II clinical trial, 2 projects were in phase I clinical trials, 2 projects were in the stage of IND application and 2 projects were in the pre-clinical R&D stage.

Among these projects, the project of Recombinant Human Chorionic Gonadotropin for Injection (注射用重組人絨促性素) has applied for production; the project of Recombinant Humanized Anti-IL-6R Monoclonal Antibody for Injection (重組人源化抗人IL-6R單克隆抗體注射液) has completed patient enrollment for phase III clinical trial and will start application for production soon; the projects of 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 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 phase Ia clinical trial. The projects of Recombinant Human Follitropin Alfa for Injection (重組人促卵泡激素注射液) and Recombinant Humanized Monoclonal Antibody Conjugate Toxin Drug (重組人源化單克隆抗體偶聯毒素藥物) were in the stage of pre-clinical research.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

III. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

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

(3) APIs and intermediates

There were a total of 11 projects under research with domestic and overseas approvals obtained in respect of 6 APIs, namely Vancomycin (萬古霉素), Daptomycin (達托霉素), Sulfomycin (磺粘菌素), Selamectin (西拉菌素), Teicoplanin (替考拉寧) and Tobramycin Sulfate (硫酸妥布霉素). 2 registration applications were filed, namely Dalbavancin (達巴萬星) and Telavancin (特拉萬星).

(4) Diagnostic reagents and equipment

There were a total of 28 projects under research and 4 projects under clinical trial stage. Among which, Diagnostic Kit for IgM/IgG Antibody to Coronavirus (2019-nCoV) (Colloidal Gold) (新型冠狀病毒(2019-nCoV) IgM/IgG抗體檢測試劑盒 (膠體金法)) for use as approved emergency product renewed its license successfully at the end of 2020, Diagnostic Kit for Autoimmune Hepatitis related Autoantibody (magnetic barcode immunofluorescence method) (自身免疫性肝病相關自身抗體檢測試劑盒 (磁條碼免疫熒光發光法)) completed clinical trial and submitted evaluation materials, the rapid diagnostic product for influenza antigen for differential diagnosis of respiratory tract infection had entered the stage of clinical trial.

Investment in R&D

	2020	2019	Change
Number of R&D staff (persons)	911	729	24.97%
Proportion of R&D staff to total number of employees	10.89%	8.08%	Increased by 2.81 percentage points
Amount of investment in R&D (RMB)	989,591,702.94	827,729,912.29	19.55%
Proportion of R&D investment to operating income	9.41%	8.82%	Increased by 0.59 percentage point
Amount of capitalized R&D investment (RMB)	105,496,335.42	67,357,433.92	56.62%
Proportion of capitalized R&D investment to total investment in R&D	10.66%	8.14%	Increased by 2.52 percentage points

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

IV. ANALYSIS OF NON-PRINCIPAL BUSINESSES

✓ Applicable □ Not applicable

Unit: RMB

Item	Amount	As a percentage of total profits	Reasons for occurrence	Sustainability
Investment income	147,628,336.17	5.93%	Mainly due to income from the disposal of equity interest in Jiangsu Ni Ke Medical Device Co., Ltd. (江蘇尼科醫療器械有限公司) during the Period.	No
Gains or losses arising from changes in fair value	8,806,719.32	0.35%	Mainly due to changes in fair value of forward foreign exchange contracts as a result of fluctuations in foreign exchange rates.	Yes
Asset impairment	-72,276,909.36	-2.90%	Mainly due to provision for inventory depreciation.	No
Non-operating income	8,192,217.16	0.33%	Mainly due to transfer to non-operating income from buying on credit for longer terms and not required to be paid	No
Non-operating expenditure	19,205,699.23	-0.77%	Mainly due to non-profit donation expenditure.	No
Other income	216,183,014.18	8.68%	Mainly due to the receipt of government subsidies.	Yes

V. ANALYSIS OF FINANCIAL CONDITIONS

1. Material changes in asset composition

Unit: RMB

Item	At the end of 2020		At the end of 2019			
	Amount	As a percentage of total assets	Amount	As a percentage of total assets	Increase/decrease in proportion	Reason for material changes
Cash at bank and on hand	9,953,747,563.47	48.34%	8,855,408,402.78	49.26%	-0.92%	No material changes
Accounts receivable	1,743,148,037.38	8.47%	1,472,438,936.26	8.19%	0.28%	No material changes
Inventories	1,487,796,389.98	7.23%	1,168,854,337.03	6.50%	0.73%	No material changes
Investment properties	—	—	—	—	—	—
Long-term equity investments	245,115,479.10	1.19%	171,498,988.56	0.95%	0.24%	No material changes
Fixed assets	3,303,077,566.22	16.04%	3,160,096,367.19	17.58%	-1.54%	No material changes
Construction in progress	385,700,738.39	1.87%	233,489,857.85	1.30%	0.57%	No material changes
Short-term loans	1,550,942,804.06	7.53%	1,360,840,657.32	7.57%	-0.04%	No material changes
Long-term loans	360,324,027.48	1.75%	—	—	1.75%	Mainly due to new bank loans with a term of three years

V. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

2. Assets and liabilities measured at fair value

☒ Applicable ☐ Not applicable

Unit: RMB

Item	At the Beginning of the Period	Gain or loss on change in fair value for the Year	Accumulated changes in fair value in equity	Impairment provision for the Year	Amount purchased during the Year	Amount sold during the Year	At the End of the Period
Financial assets							
1. Financial assets held for trading (excluding derivative financial assets)	15,094,177.64	166,975.13	–	–	–	–	15,261,152.77
2. Derivative financial assets	2,097,684.10	8,626,040.26	–	–	–	–	10,723,724.36
3. Other debt investments	–	–	–	–	–	–	–
4. Other equity instrument investments	479,737,808.86	–	222,347,657.98	–	40,889,325.31	–	742,974,792.15
Sub-total of financial assets	496,929,670.60	8,793,015.39	222,347,657.98	–	40,889,325.31	–	768,959,669.28
Investment properties	–	–	–	–	–	–	–
Productive biological assets	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–
Total	496,929,670.60	8,793,015.39	222,347,657.98	–	40,889,325.31	–	768,959,669.28
Financial liabilities	13,916.00	13,703.93	–	–	–	–	212.07

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

☐ Yes ☒ No

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

☒ Applicable ☐ Not applicable

The thirteenth meeting of the ninth session of the Board of the Company considered and approved the “Resolution on Launching the Bills Pooling Business”, pursuant to which it was agreed that the Company and its subsidiaries should collectively share the cap for the bills pooling business 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 receivables pledged to the banks applied by the Group was RMB232.6646 million. The balance of the actual deposits paid by the Company and its subsidiaries for the businesses such as execution of futures hedging activities and letters of guarantee was RMB1.6976 million.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

V. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

4. Material changes in consolidated balance sheet items

Unit: RMB

Item	31 December 2020	31 December 2019	Year-on-year change
Financial assets held for trading	25,984,877.13	17,191,861.74	51.15%
Non-current assets due within one year	11,414,376.07	17,497,288.62	-34.76%
Other non-current assets	39,862,609.49	110,786,443.02	-64.02%
Long-term receivables	584,284.36	10,828,143.63	-94.60%
Long-term equity investments	245,115,479.10	171,498,988.56	42.93%
Other equity instrument investments	742,974,792.15	479,737,808.86	54.87%
Construction in progress	385,700,738.39	233,489,857.85	65.19%
Right-of-use assets ⁽⁸⁾	18,311,378.07	—	—
Development expenditure	251,389,209.57	148,504,020.49	69.28%
Deferred income tax assets	238,226,789.25	182,659,491.39	30.42%
Contract liabilities	104,445,427.26	151,765,150.53	-31.18%
Employee benefits payables	363,416,250.83	278,117,911.92	30.67%
Non-current liabilities due within one year ⁽¹³⁾	8,539,077.05	—	—
Other current liabilities ⁽¹⁴⁾	6,267,034.79	—	—
Long-term loans ⁽¹⁵⁾	360,324,027.48	—	—
Leasing liabilities ⁽¹⁶⁾	10,099,025.42	—	—
Deferred income tax liabilities	143,279,875.31	90,884,958.20	57.65%
Capital reserve	1,560,369,717.69	1,163,404,748.17	34.12%
Treasury shares ⁽¹⁹⁾	250,061,413.16	—	—
Other comprehensive income	169,983,800.56	26,403,971.65	543.78%
Minority interests	1,532,840,093.61	1,108,485,127.19	38.28%

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

- (1) Financial assets held for trading increased by 51.15% year-on-year, which was mainly due to the increase in income from forward foreign exchange contracts as at the balance sheet date.
- (2) Non-current assets due within one year decreased by 34.76% year-on-year, which was mainly due to the collection of consideration for transfer of certain equity interests in the subsidiary in the Year.
- (3) Other current assets decreased by 64.02% year-on-year, which was mainly due to the recovery of funds for cash management.
- (4) Long-term receivables decreased by 94.60% year-on-year, which was mainly due to the transfer of long-term receivables due within one year to non-current assets due within one year as a result of aging change.
- (5) Long-term equity investments increased by 42.93% year-on-year, which was mainly due to new external investments.
- (6) Other equity instrument investments increased by 54.87% year-on-year, which was mainly due to new external investments and increase in the fair value of investments.
- (7) Construction in progress increased by 65.19% year-on-year, which was mainly due to the investment in the construction of new plants and workshops of the subsidiaries.

V. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

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

- (8) Mainly due to more long-term leasing contracts were executed.
- (9) Development expenditure increased by 69.28% year-on-year, which was mainly due to the increase in R&D expenses arising from the phase III clinical trial of Recombinant Humanized Anti-IL-6R Monoclonal Antibody for Injection (重组人源化抗人IL-6R单克隆抗体注射液).
- (10) Deferred income tax assets increased by 30.42% year-on-year, which was mainly due to the provision for the special funds of the Medium to Long-term Business Partner Share Ownership Scheme and increase in other deductible temporary differences.
- (11) Contract liabilities decreased by 31.18% year-on-year, which was mainly due to the transfer of certain contract payments received in advance that met the requirements for income recognition into income.
- (12) Employee benefits payables increased by 30.67%, which was mainly due to the withdrawal of the special fund of the Medium to Long-term Business Partner Share Ownership Scheme owing to the increase in performance results during the Year.
- (13) Mainly due to an increase in lease payables due within one year.
- (14) Mainly due to reclassification of pending output tax from "tax and surcharge payables" to "other current liabilities".
- (15) Mainly due to new bank loans with a term of three years obtained during the Reporting Period.
- (16) Mainly due to an increase in lease payables for a term of over one year.
- (17) Deferred income tax liabilities increased by 57.65% year-on-year, which was mainly due to an increase in taxable temporary differences arising from changes in fair value of other equity instruments.
- (18) Capital reserve increased by 34.12% year-on-year, which was mainly due to the exercise of share options by the employees of the Company, resulting an increase in share premium.
- (19) Repurchase of A Shares of the Company led to an increase in treasury shares.
- (20) Other comprehensive income increased by 543.78% year-on-year, which was mainly due to the increase in fair value of other equity instrument investments.
- (21) Minority interests increased by 38.28% year-on-year, which was mainly due to an increase in equity attributable to minority interests in line with an increase in profit of the non-wholly owned subsidiaries.

Asset-liability ratio

The asset-liability ratios of the Group as at 31 December 2020 and 31 December 2019 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 31.71% as at 31 December 2019 to 33.76% as at 31 December 2020.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

V. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

5. Material changes in consolidated income statement items

Unit: RMB

Item	The Year	The Previous Period	Year-on-year change
Finance expenses	-103,638,803.65	-220,799,167.69	53.06%
Other income	216,183,014.18	156,194,635.50	38.41%
Investment income	147,628,336.17	-19,597,761.68	853.29%
Gains from changes in fair value	8,806,719.32	1,328,501.70	562.91%
Credit impairment loss	-1,279,991.91	-4,860,224.48	73.66%
Asset impairment loss	-72,276,909.36	-53,224,067.26	-35.80%
Non-operating expenditure	19,205,699.23	13,794,185.53	39.23%
Total profit	2,489,435,687.77	1,727,542,394.19	44.10%
Income tax expenses	358,108,981.27	265,964,834.90	34.65%
Net profit attributable to shareholders of the parent company	1,714,910,390.36	1,302,875,440.93	31.63%
Profit and loss attributable to minority interests	416,416,316.14	158,702,118.36	162.39%
Other comprehensive net income after taxation	141,385,462.11	58,697,018.11	140.87%

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

- (1) Finance expenses increased by 53.06% year-on-year, which was mainly due to the combined effect of the increase in interest expenditure in line with the increase in loans, decrease in interest income compared with that of the Previous Period as a result of downward trend of bank rate, and increase in exchange losses of foreign currency assets on hand as a result of fluctuations in exchange rates.
- (2) Other income increased by 38.41% year-on-year, which was mainly due to the receipt of government subsidies.
- (3) Investment income increased by 853.29% year-on-year, which was mainly due to the income from the disposal of equity interest in Jiangsu Ni Ke Medical Device Co., Ltd. (江蘇尼科醫療器械有限公司) during the Period.
- (4) Gains from changes in fair value increased by 562.91% year-on-year, which was mainly due to changes in fair value of forward foreign exchange contracts as a result of fluctuations in foreign exchange rates.
- (5) Credit impairment loss increased by 73.66% year-on-year, which was mainly due to the reversal of the provision for bad debt of receivables calculated based on expected loss rate into the credit impairment provision as it decreased as compared with the Beginning of the Year.
- (6) Asset impairment loss decreased by 35.80% year-on-year, which was mainly due to the increase in the provision for inventory depreciation.
- (7) Non-operating expenditure increased by 39.23% year-on-year, which was mainly due to the increase in non-profit donation expenditure during the Year.

V. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

5. Material changes in consolidated income statement items *(continued)*

- (8) Total profit increased by 44.10% year-on-year, mainly due to the rapid substantial increase in the sales of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉), a key product of our chemical drug preparation, as compared with that during the Previous Year together with a continuous greater growth in the sales of Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球), Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片) and Fluvoxamine Maleate Tablets (馬來酸氟伏沙明片) compared with those during the Previous Year, and owing to the pandemic, a significant growth in the sale of Anti-viral Granules (抗病毒顆粒), a key product of our Traditional Chinese drug preparation, as compared with that of the Previous Year, and additional sales of diagnostic kits for antibodies to novel coronavirus, which contributed to a significant support to the stable growth of the overall performance of the Company.
- (9) Income tax expenses increased by 34.65% year-on-year, which was mainly due the growth in profit for the Period leading to a corresponding increase in the provision for income tax expenses.
- (10) Net profit attributable to the shareholders of the parent company increased by 31.63% year-on-year, mainly due to the rapid substantial increase in the sales of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉), a key product of our chemical drug preparation, as compared with that during the Previous Year together with a continuous greater growth in the sales of Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球), Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片) and Fluvoxamine Maleate Tablets (馬來酸氟伏沙明片) compared with those during the Previous Year, and owing to the pandemic, a significant growth in the sale of Anti-viral Granules (抗病毒顆粒), a key product of our Traditional Chinese drug preparation, as compared with that of the Previous Year, and additional sales of diagnostic kits for antibodies to novel coronavirus, which contributed to a significant support to the stable growth of the overall performance of the Company.
- (11) Profit and loss attributable to minority interests increased by 162.39% year-on-year, which was mainly due to the increase in profits of the non-wholly owned subsidiaries during the Period, leading to a corresponding increase in the profit and loss attributable to minority interests.
- (12) Other comprehensive net income after taxation increased by 140.87% year-on-year, which was mainly due to the increase in fair value of other equity instrument investments.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

V. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

6. Material changes in consolidated cash flow items

Item	The Year	Unit:RMB	
		The Previous Period	Year-on-year change
Sub-total of cash inflows from investing activities	312,243,688.97	226,497,499.50	37.86%
Sub-total of cash outflows from investing activities	780,087,703.95	542,521,979.50	43.79%
Net cash flow from investing activities	-467,844,014.98	-316,024,480.00	-48.04%
Sub-total of cash inflows from financing activities	2,743,623,070.34	1,523,945,477.94	80.03%
Net cash flow from financing activities	-518,042,416.24	-1,181,081,839.81	56.14%
Effect of foreign exchange rate changes on cash and cash equivalents	-77,010,038.66	20,418,084.63	-477.17%
Net increase in cash and cash equivalents	1,097,864,136.54	290,474,647.59	277.96%

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

- (1) Sub-total of cash inflows from investing activities increased by 37.86% year-on-year, which was mainly due to, among others, the receipt of proceeds from the disposal of equity interest in Jiangsu Ni Ke Medical Device Co., Ltd. (江蘇尼科醫療器械有限公司).
- (2) Sub-total of cash outflows from investing activities increased by 43.79% year-on-year, which was mainly due to the investment for construction of new plants and workshops of the subsidiaries.
- (3) Net cash flow from investing activities decreased by 48.04% year-on-year, which was mainly due to the investment for construction of new plants and workshops of the subsidiaries.
- (4) Sub-total of cash inflows from financing activities increased by 80.03% year-on-year, which was mainly due to the increase in bank borrowings.
- (5) Net cash flow from financing activities increased by 56.14% year-on-year, which was mainly due to the increase in bank borrowings.
- (6) Effect of foreign exchange rate changes on cash and cash equivalents decreased by 477.17% year-on-year, which was mainly due to the increase in exchange losses on foreign currency funds as a result of the fluctuations in exchange rates.
- (7) Net increase in cash and cash equivalents increased by 277.96% year-on-year, which was mainly due to the increase in cash generated from daily operation activities of the Company and the increase in bank borrowings.

Reasons for material differences between net cash flows from operating activities during the Year and net profit for the Year

☐ Applicable ☒ Not applicable

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

V. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

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

☐ Applicable ☒ Not applicable

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

8. Liquidity and financial resources

As at 31 December 2020, the Group's cash at bank and on hand amounted to RMB9,953.75 million (31 December 2019: RMB8,855.41 million), which arose primarily from operating income of the Company and the receipt of consideration for the transfer of equity interest in a subsidiary in 2017, which was used primarily for daily operation and investment activities of the Company as well as dividends distribution.

Fiscal policy and objectives: The Group has a comprehensive and prudent financial management system in place in order to guarantee the fund safety of the Company, provide support for production operation and business development and reasonably increase the return of the Group's funds.

During the Year, the credit facilities that may be applied for as approved by the Board and the general meeting of the Company amounted to RMB15,355.00 million and the actual amount of credit facilities applied to banks for use amounted to RMB2,619.11 million.

Unit: RMB

Item	End of the Year (31 December 2020)			End of the Previous Year (31 December 2019)		
	Amount in foreign currency	Conversion rate	Amount in RMB	Amount in foreign currency	Conversion rate	Amount in RMB
Cash on hand:	–	–	160,781.75	–	–	126,821.79
– RMB	–	–	143,535.86	–	–	109,590.98
– USD	700.00	6.5249	4,567.43	700.00	6.9762	4,883.34
– Euro	1,579.87	8.025	12,678.46	1,579.87	7.8155	12,347.47
Bank deposits:	–	–	9,860,877,412.96	–	–	8,851,796,592.01
– RMB	–	–	8,962,639,630.48	–	–	7,903,329,660.13
– HKD	59,024,354.62	0.84164	49,677,257.82	14,642,464.71	0.89578	13,116,427.05
– USD	129,781,661.24	6.5249	846,812,361.44	133,419,180.83	6.9762	930,758,889.31
– JPY	–	0.063236	–	11,650,001.00	0.064086	746,601.96
– Euro	78,241.56	8.025	627,888.52	102,814.97	7.8155	803,550.41
– MOP	1,370,869.68	0.8172	1,120,274.70	3,494,729.58	0.8703	3,041,463.15
Other monetary fund:	–	–	92,709,368.76	–	–	3,484,988.98
RMB	–	–	2,930,256.74	–	–	1,601,286.68
HKD	1,614,514.71	0.84164	1,358,840.16	1,334,878.88	0.89578	1,195,757.80
USD	13,551,207.20	6.5249	88,420,271.86	98,613.07	6.9762	687,944.50
Total	–	–	9,953,747,563.47	–	–	8,855,408,402.78

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

V. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

8. Liquidity and financial resources *(continued)*

As at 31 December 2020, the balance of the Group's borrowings amounted to RMB1,911.27 million (31 December 2019: RMB1,360.84 million), accounting for 9.28% of total assets (31 December 2019: 7.57%), of which the balance of short-term borrowings due within one year amounted to RMB1,550.94 million (31 December 2019: RMB1,360.84 million), accounting for 7.53% of the total assets (31 December 2019: 7.57%) and the balance of long-term borrowings due after one year amounted to RMB360.32 million (31 December 2019: RMB0.00 million), accounting for 1.75% of the total assets (31 December 2019: 0.00%). During the Year, the Group's repayment of bank borrowings due amounted to RMB1,829.81 million. There was no distinct seasonal demand for each of the above borrowings.

9. Capital structure

The Group's capital comprises Shareholders' equity and liabilities. As at 31 December 2020, Shareholders' equity amounted to RMB13,640.08 million, total liabilities amounted to RMB6,950.73 million and total assets amounted to RMB20,590.81 million. In particular, the Group's current liabilities amounted to RMB6,082.89 million (31 December 2019: RMB5,293.65 million), increased by 14.91% from the End of the Previous Year; total non-current liabilities amounted to RMB867.84 million (31 December 2019: RMB407.57 million), increased by 112.93% from the End of the Previous Year. During the Year, the Group's repayment of debt amounted to RMB1,829.81 million (The repayment of debt in the Previous Year amounted to RMB1,650.00 million).

As at the End of the Year, equity attributable to Shareholders of the Company amounted to RMB12,107.24 million (31 December 2019: RMB11,166.75 million), increased by 8.42% from the End of the Previous Year. Minority interests amounted to RMB1,532.84 million (31 December 2019: RMB1,108.49 million), increased by 38.28% from the End of the Previous Year.

10. Capital commitments

Item	Balance at the End of the Year	<i>Unit: RMB</i> Balance at the Beginning of the Year
Contracted but not recognized in the financial statements – Commitments for purchase and construction of long-term assets	621,715,798.13	165,369,398.32
Total	621,715,798.13	165,369,398.32

V. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

11. Interest rate

As at 31 December 2020, the aggregate interest-bearing bank borrowings and other borrowings amounted to RMB1,910.78 million (31 December 2019: RMB1,359.29 million). The interest rate structure: RMB809.90 million bear interest at a floating rate and RMB1,100.88 million bear interest at a fixed interest rate of 3.29% per annum.

12. Maturity analysis of outstanding liabilities

	31 December 2020	Unit: RMB million 31 December 2019
Within one year	2,468.95	2,076.83
1-2 years	—	—
2-5 years	360.32	—
Over 5 years	—	—
Total	2,829.27	2,076.83

13. Capital commitments

As at 31 December 2020, the Group's capital commitments contracted in relation to the purchase and construction of long-term assets amounted to RMB621.72 million (31 December 2019: RMB165.37 million).

14. Bank borrowings and other borrowings

Details of the bank borrowings and other borrowings of the Company and the Group as at 31 December 2020 are set out in "Note V. 22. Short-term Loans" to the financial statements in the Report as prepared in accordance with the China Accounting Standards for Business Enterprises.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

V. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

15. Gearing ratio

The gearing ratio as at 31 December 2020 and 31 December 2019 was calculated by dividing total debt by Shareholders' equity of the Group as at the respective dates. The gearing ratio of the Group increased from 16.92% as at 31 December 2019 to 20.74% as at 31 December 2020.

16. Interest expenses and capitalization

	2020	Unit: RMB 2019
Interest expenses ^(Note)	25,313,177.20	7,255,024.45
Capitalized interest	—	—
Total interest expenses	25,313,177.20	7,255,024.45

Note: Interest expenses are mainly due to bank borrowings.

17. Foreign exchange risks

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

18. Contingent liabilities

As at 31 December 2020, the Group had no significant contingent liabilities.

V. ANALYSIS OF FINANCIAL POSITION (continued)

19. Pledge of assets

As at 31 December 2020, the assets of the Company subject to pledge were as follows:

	31 December 2020 (RMB)	Reasons for being subject to restriction
Assets pledged:		
Bills receivable	232,664,555.17	Pledged bills receivables for the bills pooling business
Other monetary funds	1,697,573.39	Deposits for Letters of guarantee and other businesses
Total	234,362,128.56	

Note: On 23 April 2018, the thirteenth meeting of the ninth session of the Board of the Company reviewed and passed the "Resolution on Launching the Bills Pooling Business", pursuant to which it was agreed that the Company and its subsidiaries should collectively share the cap for the bills pooling business amount of not more than RMB1.4 billion. The said fund limit is of revolving basis. As at 31 December 2020, the amount of bills receivables pledged by the Group to the banks amounted to RMB232.6646 million.

20. Investments

Subscription for additional registered capital of Atom Bioscience by Livzon Equity Investment Company

On 17 January 2020, after review and approval by the management of the Company, 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) ("Livzon Equity Investment Company"), a wholly-owned subsidiary of the Company, entered into the Capital Contribution Agreement of Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd. (the "Capital Contribution Agreement") with Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd.* (江蘇新元素醫藥科技有限公司) ("Atom Bioscience"), SHI Dongfang, Changzhou Tongxin Equity Investment Enterprise (Limited Partnership)* (常州同信股權投資企業 (有限合夥)), Changzhou Xinshi Venture Investment Partnership (Limited Partnership)* (常州鑫氏創業投資合夥企業 (有限合夥)) and Xiamen Jinyuan Kaitai Zhanhong Healthy Growth Venture Investment Partnership (Limited Partnership)* (廈門金圓凱泰展鴻健康成長創業投資合夥企業 (有限合夥)). Pursuant to the Capital Contribution Agreement, Livzon Equity Investment Company will make a capital contribution of RMB70,091,000 to subscribe for an additional registered capital of Atom Bioscience of RMB2,250,639, accounting for 7.8215% of the registered capital of Atom Bioscience upon completion of the capital contribution. The board of directors of Atom Bioscience comprises of seven directors, among which one is appointed by Livzon Equity Investment Company.

Atom Bioscience is mainly engaged in the research and development of human medicine, veterinary medicine, pesticide, health products and chemical products, technology transfer, technical consultancy and cooperation projects of products.

Upon completion of the capital contribution, the Company will commence cooperation with Atom Bioscience pursuant to the relevant requirements under the Capital Contribution Agreement with respect to the related products including the innovative drugs for treatment of metabolic diseases and tumours. The investment is in line with the strategic layout of the medium and long-term research and development pipelines of the Company.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

V. ANALYSIS OF FINANCIAL POSITION *(continued)*

20. Investments *(Continued)*

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 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 million and grant total incentive of not more than RMB125.8 million for the construction of new plant to the Company.

As at 31 December 2020, the total investment in the Project amounted to RMB115.5182 million, and the sum of subsidies received from government authorities at various levels amounted to RMB98.55 million, the construction works for the main structures of part of the production plants were completed, and the Project was smooth in progress.

Establishment of Joint Venture

For details of the establishment of Henan Province Joicare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司) by Xinbeijiang Pharmaceutical, please refer to "XVI. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES – 1. One-off Connected Transactions" in Section V of this Report for relevant information.

Participation in Round B Financing of Carisma Therapeutics, Inc.

During the Year, Livzon International Ventures I, a wholly-owned subsidiary of the Company, participated in the round B financing of Carisma Therapeutics, Inc. Carisma Therapeutics, Inc. is a startup mainly engaged in the development of cell immunotherapy. The Group is a preferential partner of Carisma Therapeutics, Inc. in research and development and commercialization, and enjoys the exclusive preferential negotiation rights of the relevant projects of Carisma Therapeutics, Inc. in the PRC.

Save as disclosed above, during the Year, the Group did not make any equity acquisition and/or other significant investments, nor was there any significant change in the investments held by the Group as compared to the relevant information disclosed in the 2019 annual report of the Company.

VI. INVESTMENT

1. Overall particulars

✓ Applicable ☐ Not applicable

Amount of investment during the Year (RMB)	Amount of investment during the Same Period Last Year (RMB)	Change
151,782,886.25	107,141,207.05	41.67%

VI. INVESTMENT (Continued)

2. Material equity investment acquired during the Year

✓ Applicable □ Not applicable

Unit: RMB

Name of investee	Principal business	Investment method	Investment amount	Percentage of shareholding	Source of funds	Partners	Investment period	Type of products	Progress as at the balance sheet date	Expected return	Investment profit or loss for the Year	Litigation involved	Date of disclosure (if any)	Index of disclosure (if any)
Jiangsu Atom Bioscience & Pharmaceutical Co., Ltd. (江蘇新元素醫藥科技有限公司)	It is primarily engaged in the research and development of human medicine, veterinary drugs, agricultural chemicals, healthcare products and chemical products, technological transfer, technical consultancy and project cooperation of products.	Equity investment	70,091,000.00	7.11%	Self-owned funds	Shi Dongfang, etc. ^{Note 1}	Long term	Chemical drugs	Capital contribution was completed	-	-1,896,511.18	No	See Note 2 for details	See Note 2 for details
Carisma Therapeutics, Inc.	Development of cell immunotherapy	Equity investment	32,691,886.25	3.27%	Self-owned funds	N/A	Long term	N/A	Capital contribution was completed	-	-	No	N/A	N/A
Henan Province Joicare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Production of pharmaceutical products and veterinary drugs.	Equity investment	49,000,000.00	49.00%	Self-owned funds	Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Long term	N/A	Contributed RMB22.05 million	-	-52,851.30	No	See Note 3 for details	See Note 3 for details
Total	-	-	151,782,886.25	- -	-	-	-	-	-	-	-1,949,362.48	-	-	-

- Notes:**
- Partners include Shi Dongfang (史東方), Changzhou Tongxin Equity Investment Enterprise (Limited Partnership) (常州同股權投資企業 (有限合夥)), Changzhou Xinshi Venture Investment Partnership (Limited Partnership) (常州鑫氏創業投資合夥企業 (有限合夥)) and Xiamen Jinyuan Kaitai Zhanhong Healthy Growth Venture Investment Partnership (Limited Partnership) (廈門金圓凱泰展鴻健康成長創業投資合夥企業 (有限合夥)).
 - Disclosure date and disclosure index: For details of the above equity investment, please refer to the Announcement on Foreign Investment of Livzon Pharmaceutical Group Inc. issued on 18 January 2020 (Cninfo: Announcement No.:2020-004) and the Voluntary Announcement Foreign Investment issued on 17 January 2020 (Company's website and HKExnews) by the Company.
 - Disclosure date and disclosure index: For details of the above equity investment, please refer to the Announcement on External Investment and Connected Transaction of a Controlling Subsidiary of Livzon Pharmaceutical Group Inc. issued on 1 December 2020 (Cninfo: Announcement No.: 2020-130) and the announcement on Connected Transaction Establishment of Joint Venture issued on 30 November 2020 (Company's website and HKExnews) by the Company.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

VI. INVESTMENT (Continued)

3. Ongoing material non-equity investments during the Year

☐ Applicable ☒ Not applicable

4. Investment in Financial Assets

(1) Investment in securities

☒ Applicable ☐ Not applicable

Unit: RMB

Type of securities	Securities code	Securities abbreviation	Initial investment cost	Accounting measurement	Carrying amount at the Beginning of the Year	Gain or loss on change in fair value for the Year	Accumulated change in fair value included in equity	Amount of purchase during the Year	Amount of disposal during the Year	Profit or loss for the Year	Carrying amount at the End of the Year	Accounting item	Source of funds
Shares	00135	Kunlun Energy	4,243,647.64	Measured at fair value	6,162,966.40	-566,060.40	-	-	-	-320,476.08	5,596,906.00	Financial assets measured	Self-owned funds
Funds	206001	Penghua Fund	150,000.00	Measured at fair value	895,270.68	14,481.37	-	-	-	14,481.37	909,752.05	at fair value through	Self-owned funds
Shares	000963	Huadong Medicine	39,851.86	Measured at fair value	8,035,940.56	718,554.16	-	-	-	810,845.52	8,754,494.72	profit or loss for current period	Self-owned funds
Other securities investment held at the End of the Year			-	-	-	-	-	-	-	-	-	-	-
Total			4,433,499.50	-	15,094,177.64	166,975.13	-	-	-	504,850.81	15,261,152.77	-	-

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 general meeting of shareholders (if any)

Not applicable

VI. INVESTMENT (Continued)

4. Investment in Financial Assets (Continued)

(2) Information on investment in derivatives

✓ Applicable □ Not applicable

Unit: RMB0'000

												Percentage of investment amount at the End of the Year to the net assets of the Company at the End of the Year	Actual gain or loss for the Year
Name of the operator of derivatives investment			Type of derivatives investment	Initial investment amount of derivatives investment	Commencement date	Maturity date	Investment amount at the Beginning of the Year	Amount of purchase during the Year	Amount of disposal during the Year	Impairment provision (if any)	Investment amount at the End of the Year		
Financial Institution	Non-related party	No	Forward foreign exchange contract (sell)	583.75	2019-7-1	2020-1-13	592.97	-	592.20	-	-	-	-8.50
Financial Institution	Non-related party	No	Forward foreign exchange contract (sell)	2,448.13	2019-8-5	2020-3-25	2,444.03	-	2,435.48	-	-	-	37.21
Financial Institution	Non-related party	No	Forward foreign exchange contract (sell)	4,936.04	2019-9-6	2020-6-24	4,865.65	-	4,850.14	-	-	-	120.13
Financial Institution	Non-related party	No	Forward foreign exchange contract (sell)	3,455.34	2019-10-11	2020-5-15	3,472.39	-	3,469.02	-	-	-	59.76
Financial Institution	Non-related party	No	Forward foreign exchange contract (sell)	8,850.87	2019-11-12	2020-6-24	8,796.97	-	8,832.84	-	-	-	43.62
Financial Institution	Non-related party	No	Forward foreign exchange contract (sell)	4,139.89	2019-12-3	2020-7-10	4,122.12	-	4,160.67	-	-	-	-9.13
Financial Institution	Non-related party	No	Forward foreign exchange contract (sell)	8,468.89	2020-1-7	2020-6-24	-	8,468.89	8,662.34	-	-	-	-186.89
Financial Institution	Non-related party	No	Forward foreign exchange contract (sell)	11,474.46	2020-2-3	2020-9-18	-	11,474.46	11,573.96	-	-	-	-54.25
Financial Institution	Non-related party	No	Forward foreign exchange contract (sell)	9,372.77	2020-3-3	2020-12-25	-	9,372.77	9,307.49	-	-	-	77.72
Financial Institution	Non-related party	No	Forward foreign exchange contract (sell)	10,777.88	2020-4-10	2020-12-25	-	10,777.88	10,557.44	-	-	-	211.94
Financial Institution	Non-related party	No	Forward foreign exchange contract (sell)	7,017.35	2020-5-7	2020-12-25	-	7,017.35	6,749.81	-	-	-	292.36
Financial Institution	Non-related party	No	Forward foreign exchange contract (sell)	8,651.65	2020-6-2	2020-12-25	-	8,651.65	7,593.72	-	-	-	462.57
Financial Institution	Non-related party	No	Forward foreign exchange contract (sell)	17,105.08	2020-7-1	2021-1-15	-	17,105.08	14,739.98	-	1,538.11	0.13%	786.80

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

VI. INVESTMENT (Continued)

4. Investment in Financial Assets (Continued)

(2) Information on investment in derivatives (Continued)

Name of the operator of derivatives investment	Connected relationship	Connected transaction	Type of derivatives investment	Initial investment amount of derivatives investment	Commencement date	Maturity date	Investment amount at the Beginning of the Year	Amount of purchase during the Year	Amount of disposal during the Year	Impairment provision (if any)	Investment amount at the End of the Year	Percentage of investment amount at the End of the Year to the net assets of the Company at the End of the Year	Actual gain or loss for the Year
Financial Institution	Non-related party	No	Forward foreign exchange contract (sell)	9,699.53	2020-8-3	2021-3-26	-	9,699.53	7,567.62	-	1,265.18	0.10%	413.73
Financial Institution	Non-related party	No	Forward foreign exchange contract (sell)	8,910.47	2020-9-1	2021-3-26	-	8,910.47	2,548.76	-	3,368.92	0.28%	95.41
Financial Institution	Non-related party	No	Forward foreign exchange contract (sell)	6,801.84	2020-10-12	2021-4-6	-	6,801.84	1,800.05	-	4,822.55	0.40%	51.99
Financial Institution	Non-related party	No	Forward foreign exchange contract (sell)	14,435.11	2020-11-3	2021-4-29	-	14,435.11	499.59	-	13,775.36	1.14%	11.10
Financial Institution	Non-related party	No	Forward foreign exchange contract (sell)	16,034.47	2020-12-3	2021-12-15	-	16,034.47	-	-	15,992.78	1.32%	-
Financial Institution	Non-related party	No	Commodity futures contract (buy)	73.19	2020-5-22	2020-9-30	-	73.19	80.46	-	-	-	7.26
Financial Institution	Non-related party	No	Commodity futures contract (buy)	80.79	2020-9-2	2021-1-31	-	80.79	89.42	-	-	-	8.62
Financial Institution	Non-related party	No	Commodity futures contract (buy)	731.10	2020-11-18	2021-1-12	-	731.10	377.12	-	353.98	0.03%	-0.06
Financial Institution	Non-related party	No	Commodity futures contract (buy)	43.34	2020-11-24	2020-12-31	-	43.34	44.34	-	-	-	1.00
Financial Institution	Non-related party	No	Option contract (buy)	1,359.97	2020-10-12	2021-3-8	-	1,359.97	-	-	1,321.94	0.11%	-
Total				155,451.91	-	-	24,294.13	131,037.89	106,532.45	-	42,438.82	3.51%	2,422.39

Source of funds for derivatives investment: 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): 8 May 2020, 5 June 2020
 Disclosure date of the announcement in relation to the approval of derivatives investment by the general meeting of shareholders (if any): Not applicable

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

VI. INVESTMENT (Continued)

4. Investment in Financial Assets (Continued)

(2) Information on investment in derivatives (Continued)

Percentage of investment amount at the End of the Year to the net assets of the Company at the End of the Year													Actual gain or loss for the Year
Name of the operator of derivatives investment	Connected relationship	Connected transaction	Type of derivatives investment	Initial investment amount of derivatives investment	Commencement date	Maturity date	Investment amount at the Beginning of the Year	Amount of purchase during the Year	Amount of disposal during the Year	Impairment provision (if any)	Investment amount at the End of the Year	Year to the net assets of the Company at the End of the Year	Actual gain or loss for the Year
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 US 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 arises 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 in the Company's responsible department, the Company's legal department shall also 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 investment and operation in derivatives have met 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 arises 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 in the Company's responsible department, the Company's legal department shall also 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 investment and operation in derivatives have met 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, the specific method, related assumptions and parameters used in the analysis of the fair value of derivatives shall be disclosed				Gains and losses arising from change in fair value of the forward foreign exchange contracts, option contracts and commodity futures contracts during the Reporting Period were RMB8.6397 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 Year as compared with 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 are 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 IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

VI. 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 Year	Total amount of proceeds accumulated	Total amount of proceeds with change in use during the Year	Total amount of proceeds with change in use	Percentage of total 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	31,765.97	103,445.83	35,097.28	68,735.86	48.40%	38,584.21	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 29,098,203 ordinary shares (A Shares) denominated in RMB with a nominal value of RMB1 per share at an issue price of RMB50.10 per share, the total amount of proceeds raised amounted to RMB1,457.82 million, and after deduction of issuance expenses of RMB37.5196 million, the amount of RMB1,420.3004 million was transferred into the account of the Company on 2 September 2016.

The proceeds were mainly used for the "Project for indepth 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 31 December 2020, unused proceeds were still deposited in the special account for raised funds or under cash management, and which will continue to be used in projects invested with proceeds.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

VI. INVESTMENT (Continued)

5. Use of Proceeds (Continued)

(2) Particulars of committed projects with proceeds

✓ Applicable ☐ Not applicable

Unit: RMB0'000

	Change in project (including partial change)	Total amount of proceeds committed to investment	Total amount of investment after adjustment(1)	Invested amount during the Year	Cumulative invested amount as at the End of the Year(2)	Progress of investment as at the End of the Year (3) = (2)/(1)	Date when the project is ready for intended use	Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project
Committed investment projects and the use of excess funds										
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	428.23	9,163.05	31.00%	31 December 2024	-	-	No
2. Increased capital injections in Livzon MAB for the construction of "Project for research & development and industrialization of therapeutic antibody-based drugs" (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目")	Yes	30,600.00	-	-	-	-	-	-	-	-
3. Relocation and expansion project of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (first phase) (麗珠集團新北江製藥股份有限公司搬遷擴建項目(一期))	Yes	-	14,328.94	6,815.73	7,769.70	54.22%	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	216.32	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	9,084.73	29,516.03	71.74%	31 December 2021	-	-	No
6. Replenishment of working capital and repayment of bank loans	Yes	36,248.04	51,685.32	15,437.28	51,685.32	100.00%	N/A	N/A	N/A	No
Sub-total of committed investment projects	-	142,030.04	142,030.04	31,765.97	103,445.83	-	-	216.32	-	-
Use of excess proceeds										
Repayment of bank loans (if any)	-	-	-	-	-	-	-	-	-	-
Replenishment of working capital (if any)	-	-	-	-	-	-	-	-	-	-
Sub-total of the use of excess proceeds	-	-	-	-	-	-	-	-	-	-
Total	-	142,030.04	142,030.04	31,765.97	103,445.83	-	-	216.32	-	-

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

VI. INVESTMENT (Continued)

5. Use of Proceeds (Continued)

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

Committed investment projects and the use of excess funds	Change in	Total	Total	Cumulative		Progress of	Date when	Benefits	Expected	Material
	project	amount of	amount of	Invested	invested	investment				
	(including	proceeds	investment	amount	amount as	as at the	the project	realized	benefit	change in
	partial	committed to	after	during the	at the End	End of the	is ready for	during the	benefit	feasibility of
	change)	investment	adjustment (1)	Year	of the Year (2)	Year	intended use	Year	realized	the project
Particulars of and reasons for not meeting the scheduled progress or expected income (by specific project)	1. Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目): As the approval for production was obtained at a time later than expected, the commencement and progress of the later stage clinical trials for new indications of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) and Ilaprazole Enteric-Coated Tablets (艾普拉唑腸溶片) were later than expected, the upgrade of solid drug preparation workshops was delayed correspondingly and the utilization of relevant proceeds failed to meet the expected schedule. On 25 May 2020, the 2019 annual general meeting of the Company considered and approved the "Resolution on Alteration to Certain Projects Invested with Proceeds and Adjustment to Investment Plan and 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》), and agreed that the Company may alter the investment in part of the sub-projects under the "Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)" and adjust the investment plan. Upon completion of the alteration and adjustments, it is still required to invest RMB208.2790 million of the proceeds in this project, which is expected to be available for intended use by 31 December 2024. The annual investment amounts for the next five years are expected to be RMB101.9240 million, RMB46.6760 million, RMB19.00 million, RMB20.00 million and RMB20.6790 million, respectively. As the amount of proceeds invested during 2020 was RMB4.2823 million, being lower than the expectation, the Board of the Company considered and approved the "Resolution on Adjustment to Investment Plan for Projects Invested with Proceeds" 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 the adjustment of medical insurance catalogue, cost control and local adjuvant drugs, the sales generated from Shenqi Fuzheng Injection (參芪扶正注射液) (bag infusion) did not achieve the expected income level.									
Particulars of significant change in feasibility of the project	Not applicable									
Amount, uses and progress of utilization of excess proceeds	Not applicable									
Change of location for implementation of investment project with proceeds	On 11 December 2020, the Resolution on Adjustment to the Implementation Site and Investment Plan of a Sub-project under Certain Project Invested with Proceeds (關於調整部分募集資金投資項目子項目實施地點及投資計劃的議案) was considered and approved at the 2020 fifth extraordinary general meeting of the Company, pursuant to which it was agreed that the implementation 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 Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)" would be adjusted from Level 1, P09 Building, Livzon Industrial Park, No. 38 Chuangye North Road, Jinwan District, Zhuhai City to Level 1, P06 Building, Livzon Industrial Park, No. 38 Chuangye North Road, Jinwan District, Zhuhai City, with the construction period remained unchanged of two years. However, due to the adjustment to the construction 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.									

VI. 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 Year	Cumulative invested amount as at the End of the Year (2)	Progress of investment		Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project
					as at the End of the Year	Date when the project is ready for intended use			
					(3) = (2)/(1)				
Committed investment projects and the use of excess funds									
Adjustment to implementation method for investment project with proceeds	1. Addition of an implementing entity of the project invested with proceeds								
	On 23 December 2016, the Resolution on the Addition of Implementing Entity to the Project Invested with Proceeds of the Company (關於公司募集資金投資項目增加實施主體的議案) was considered and approved at the 2016 third extraordinary general meeting of the Company, pursuant to which it was agreed that Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), a wholly-owned subsidiary of the Company, would be added as an implementing entity of the "Project for indepth 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 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 "Risiperidone Sustained-release Microspheres for Injection (1 month) (注射用利培酮緩釋微球(1個月))".								
	The abovementioned addition of an implementing entity to the project invested with proceeds will not lead to changes in the direction of investment of the Company's proceeds, nor affect the normal implementation of projects invested with proceeds, or have an adverse impact on the financial position of the Company.								
	2. Alteration to implementing entities of projects invested with proceeds								
	On 25 August 2020, 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) was considered and approved at the third meeting of the tenth session of the Board of the Company, pursuant to which it was agreed that the Company would inject the productive assets and capital in the area of prolonged sustained-release microsphere preparation into Zhuhai Livzon Microsphere Technology Co., Ltd.(珠海市麗珠微球科技有限公司)("Livzon Microsphere"), a wholly-owned subsidiary of the Company, by way of capital increase. And the implementing entities of the "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)" would be changed from the Company and Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠) to the Company and Livzon Microsphere.								
	The abovementioned alteration to implementing entity of the project invested with proceeds will not affect the overall implementation of the project invested with proceeds.								
	3. Adjustment to sub-project under the "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)"								
	On 30 May 2019, the Proposal on Transferring Assets Relating to Part of Projects Invested with the Proceeds and Change of Sub-Projects under Projects Invested with the Proceeds(關於轉讓涉及部分募集資金投資項目相關資產暨變更募集資金投資項目子項目的議案) was considered and approved at the 2018 annual general meeting of the Company, pursuant to which it was agreed that alteration would be made to the sub-project "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)", and no proceeds would be invested in this project, and its remaining balance of proceeds RMB30.3858 million would be adjusted to be used by the "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)". After the adjustment, a total amount of RMB194.3191 million of proceeds was intended to be invested into the "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)", and the remaining investment amount for such workshop construction project would be supplemented by self-raised funds of the Company.								
	The abovementioned adjustment to the investment amount of sub-project invested with proceeds will not affect the overall implementation of the project invested with proceeds.								

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

VI. INVESTMENT (Continued)

5. Use of Proceeds (Continued)

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

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

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

VI. 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 Year	Actual investment amount as at the End of the Year (2)	Investment progress as at the End of the Year (3)=(2)/(1)	Date when project is ready for intended use	Benefits realized during the Year	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	6,815.73	7,769.70	54.22%	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	216.32	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	9,084.73	29,516.03	71.74%	31 December 2021	–	–	No
Project for indepth 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 indepth 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	428.23	9,163.05	31.00%	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	15,437.28	51,685.32	100.00%	–	N/A	N/A	No
Total	–	142,030.04	31,765.97	103,445.83	–	–	216.32	–	–

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

VI. 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 Year	Actual investment amount as at the End of the Year (2)	Investment progress as at the End of the Year (3)=(2)/(1) use	Date when project is ready for intended	Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project after change
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”): 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”)", 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”)", 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 research and development 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, 2020-120).							

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

VI. 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 Year	Actual investment amount as at the End of the Year (2)	Investment progress as at the End of the Year (3)=(2)/(1)	Date when project is ready for intended use	Benefits realized during the Year	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 indepth 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 research and development 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 RMB102.60 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, 2020-120).							
Particulars of material change in feasibility of projects after change	1.	Project for indepth 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 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》), and agreed that the Company may alter the investment in part of the sub-projects under the "Project for indepth 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.							
Particulars of material change in feasibility of projects after change	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.							

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

VII. DISPOSAL OF MATERIAL ASSETS AND EQUITY

1. Disposal of material assets

☐ Applicable ☒ Not applicable

2. Disposal of material equity

☒ Applicable ☐ Not applicable

Counterparty	Disposed equity	Date of disposal	Trading price (RMB'000)	Net profit for listed company contributed by the equity from the Beginning of the Year to the date of disposal (RMB'000)	Impact of disposal on the Company	Percentage of net profit for listed company contributed by the disposal of equity to total net profit	Pricing principle for disposal of equity	Connected transaction	Connected with relationship with counterparty	Full transfer of the relevant equity	Implemented as scheduled	Date of disclosure	Index of disclosure
Genesis Medtech Investment (HK) Limited	Jiangsu Ni Ke Medical Device Co., Ltd. (江蘇尼科醫療器械有限公司)	30 June 2020	12,162.81	-150.76	Increased the net profit attributable to the parent company by RMB86.8355 million	5.06%	Pricing by negotiation	No	N/A	Yes	Yes	See Note for details	See Note for details

Note: Disclosure date and disclosure index: For details of the above transaction, please refer to the Announcement of Livzon Pharmaceutical Group Inc. on the Disposal of 19.99% Equity Interest in Jiangsu Ni Ke Medical Device Co., Ltd. (江蘇尼科醫療器械有限公司) issued on 27 May 2020 (Cninfo: Announcement No.: 2020-048), the Voluntary Announcement Disposal of 19.99% Equity Interest in Ni Ke Company issued on 26 May 2020 (Company's website and HKExnews) and the Update Announcement of Livzon Pharmaceutical Group Inc. on the Disposal of 19.99% Equity Interest in Jiangsu Ni Ke Medical Device Co., Ltd. (江蘇尼科醫療器械有限公司) issued on 2 July 2020 (Cninfo: Announcement No.: 2020-076) and the Voluntary Announcement Update Announcement on Disposal of 19.99% Equity Interest in Ni Ke Company issued on 1 July 2020 (Company's website and HKExnews) by the Company.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

VIII. ANALYSIS OF MAJOR CONTROLLED AND INVESTED COMPANIES

✓ Applicable □ Not applicable

Unit: RMB

Name of company	Type of company	Principal business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Subsidiary	Primarily engaged in production and sale of self-made chemical drugs, biochemical drugs, microbiological preparations, antibiotics, etc.	450,000,000.00	3,009,753,594.46	1,671,192,496.07	3,286,350,163.96	1,063,038,360.15	914,015,288.67
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Subsidiary	Primarily engaged in R&D, production and sale of traditional Chinese medicine, major products include Anti-viral Granules, Dexamlin Oral Paste, etc.	149,000,000.00	1,440,619,591.58	1,037,864,733.20	513,097,570.50	109,838,872.25	94,583,375.75
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Subsidiary	Primarily engaged in production and operation of Chinese drug preparations and pharmaceutical raw materials, etc., major products include Shenqi Fuzheng Injection, Xueshuanlong, etc.	61,561,014.73	689,365,971.40	246,870,973.04	393,556,265.31	83,288,148.45	72,759,083.21
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	Subsidiary	Primarily engaged in production of biochemical and polypeptide APIs, major products include biochemical APIs such as Menotrophin and Chorionic Gonadotropin.	87,328,900.00	1,364,674,968.25	942,058,781.34	1,334,829,780.23	423,980,124.20	362,523,575.95
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Subsidiary	Primarily engaged in production and operation of chemical APIs, major products include Cefuroxime Sodium, Cefodizime Sodium, Ceftriaxone Sodium, etc.	128,280,000.00	1,109,594,773.86	358,031,437.99	946,716,485.80	220,339,639.38	185,615,393.74
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	Subsidiary	Primarily engaged in export of APIs, intermediate products and related technologies, major products include Pravastatin, Mevastatin, Salinomycin, etc.	239,887,700.00	3,347,815,017.90	1,383,841,798.60	1,704,887,343.62	452,009,904.81	353,579,401.24
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	Subsidiary	Primarily 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	1,033,832,493.46	646,204,554.50	548,304,343.78	229,905,341.17	197,651,209.12
Zhuhai Livzon Diagnostics Inc. (珠海麗珠診斷股份有限公司)	Subsidiary	Primarily engaged in production and sale of diagnostic reagents, major products include diagnostic reagent products such as Diagnostic Kit for IgM/IgG Antibody to Coronavirus (2019-nCoV) (Colloidal Gold), Diagnostic Kit for IgM Antibody to Mycoplasma Pneumonia (Colloidal Gold) and Diagnostic Kit for Antibody to Human Immunodeficiency Virus (ELISA), etc.	92,876,771.00	1,126,165,121.73	674,986,259.03	1,393,471,642.62	549,448,336.40	468,663,456.99
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Primarily engaged in technological R&D for biologics and antibody drugs.	1,453,330,000.00	818,463,586.41	555,397,353.39	1,052,831.57	-218,417,512.96	-218,561,549.54

Note: The data of Xinbeijiang Pharmaceutical includes its subsidiaries, namely Ningxia Pharmaceutical, 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 which currently has no products for sale in market. Its loss is mainly due to investment in R&D.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

IX. SUBSIDIARIES ACQUIRED AND DISPOSED OF DURING THE YEAR

☒ Applicable ☐ Not applicable

Name of Company	Method of acquisition and disposal of the subsidiary during the Reporting Period	Effect on overall production, operation and results
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	Transfer	No material impact
Zhuhai Liheng Medical Diagnostic Products Co., Ltd. (珠海立恒醫療診斷產品有限公司)	New establishment	No material impact
Wenshan Livzon Sanqi Plantation Co., Ltd. (文山麗珠三七種植有限公司)	Deregistration	No material impact

X. EMPLOYEES OF THE COMPANY

For specific details of the employees of the Company, please refer to Section IX "Employees of the Company" in this Report.

XI. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

☐ Applicable ☒ Not applicable

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

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

XIII. 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.

XIV. OTHER SIGNIFICANT EVENTS

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

XV. PROSPECTS FOR FUTURE DEVELOPMENT

In the post-pandemic era, the Group will continue adhering to the vision of “becoming a leader in the pharmaceutical industry” and the mission of making “prioritizing the quality of life of the patients”, aiming at satisfying unfulfilled clinical needs as our objective for innovation, research and development, focusing on pharmaceuticals as our core business, further enhancing our strengths in innovative drug and complex preparation platforms with high barriers, increasing investment in technological and management innovations, enhancing the corporate digital and information technology levels and performing social responsibilities actively and persistently to realize high quality corporate development.

In 2021, the Group will continue to closely monitor the global situation of the pandemic, adopt various types of measures to alleviate the possible adverse effects of the pandemic on corporate operations, ensure steady and orderly production and operating activities, making persistent attempts on new technologies and new models, and speeding up the pace in adapting to the changing new trends of the market and economic environment. Key efforts will be focused on the following areas:

(1) Chemical drug preparation products

In respect of innovative R&D, the Group will continue to strengthen our target management and appraisal mechanism and make progress of our projects under research in stages and according to plans. In order to keep upgrading the chemical and clinical research quality management system, the quality management head office of the Company will formulate annual audit plans and complete key project audits based on the progress of our clinical trial projects. At the same time, the Group will integrate our resources and fully utilize the edges of our own APIs advantages to couple with the R&D of drug preparation products with the aim of forming an integrated industrial chain. In addition to continue strengthening our own R&D, the Group will optimize R&D platforms through integration of our resources, strengthen external cooperation, and optimize our product pipelines through various forms including external introduction and joint development. Internal and external training and talent recruitment will be strengthened to improve our overall R&D capability and build-up a stronger and more efficient R&D team.

In 2021, our key work deployments in marketing are as follows: firstly, strengthen the building of our marketing team, focus on our terminal resources, emphasize appraisal of KA, and Class III and key Class II hospitals, formulate appraisal scheme based on meeting goals, combine Ilaprazole (艾普拉唑), the core product of the Company, with other key drugs and further promote marketing of psychiatric products; secondly, establish an online operation center targeting on brand-building and exploration and development of a digitalized sales model; thirdly, keep abreast of the national medical reform policies and local enforced measures, such as minimum procurement commitment and DRGs; and fourthly, accelerate the establishment of a talent system for international business of preparations to drive forward the overseas registration and certification for drug products, broaden sales varieties and increase overseas marketing efforts.

In respect of production, we always consider quality and safety to be our top priorities, systematically implementing risk control of quality and safety. The quality management head department of the Company will keep taking regulatory compliance in operation as our core value by establishing systems and optimizing procedures, and will continue to strictly control the risk of product quality and emphasize on control of sources of raw and auxiliary materials and production process to fulfil requirement of precise and efficient audits, and further eliminate the risk of production quality in accordance with the inspection rules under the six systems of GMP. Material quality and safety incidents shall be avoided. The GSP management will be continuously strengthened to empower daily supervision and management, so as to ensure the effective operation of our drug business quality management system. Through refined management, we can rigorously maintain our edges in safety and environmental protection, quality and cost, and consolidate the competitiveness of our products.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

XV. PROSPECTS FOR FUTURE DEVELOPMENT *(Continued)*

(2) **Biologics**

In 2021, the key task and mission in the field of biologics will still be making rapid progress in R&D projects, and as more projects are entering the stage of filing for production, the enhancement of the company's quality system and the process of commercialization of products will be accelerated.

The key tasks and missions of R&D projects comprise the following aspects: firstly, driving for advancement in clinical trials for the core projects such as Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody Injection (重組抗人IL-17A/F人源化單克隆抗體注射液); secondly, completion of BLA filing for the product varieties including Recombinant Humanized Anti-IL-6R Monoclonal Antibody for Injection (重組人源化抗人IL-6R單克隆抗體注射液); thirdly, accelerating the research progress in pre-clinical trial projects such as Recombinant Human Follitropin Alfa for Injection (重組人促卵泡激素注射液) and Recombinant Humanized Monoclonal Antibody Conjugate Toxin Drug (重組人源化單克隆抗體偶聯毒素藥物). In addition, the company will also continue to strengthen the R&D layout for targeted biological drugs and cell therapy, keep on expanding the R&D pipeline, develop new products through introduction or self- R&D, commence external cooperation actively, select and introduce more global innovative pharmaceutical projects by using resources from different sources. Patent application and protection work will be commenced to strengthen the patent layout of global innovative projects.

In terms of production quality, the establishment of quality system will be reinforced and commercialization capabilities will be enhanced. In 2021, the company will focus on various preparation work for manufacturing on-site inspection of drug registration of Recombinant Humanized Anti-IL-6R Monoclonal Antibody for Injection (重組人源化抗人IL-6R單克隆抗體注射液), welcome the manufacturing on-site inspection and prepare the market layout in advance for launching this product in the market.

In terms of market layout for products, preparation for market launch and post-launch marketing promotions of Recombinant Human Chorionic Gonadotropin for Injection (注射用重組人絨促性素) will be made. Meanwhile, overseas registration for such product will be pursued for expansion into overseas markets. By leveraging the resources of the business and overseas marketing teams of the Group, technological transfer and authorization of other projects under research will be developed actively to create economic benefits for LivzonBio and enhance its corporate image and market competitiveness.

(3) **APIs and intermediates**

In 2021, the API business department of the Company will continue to adhere to the guiding philosophy of "safeguarding safety and environmental protection, ensuring quality, reducing costs and grabbing the market", and will continue to strengthen the management of the API business department.

The main tasks in marketing and promotion include: firstly, continue to give full play to the advantages of Livzon brand and establish a long-term, stable and win-win cooperation model with its strategic partners. At the same time, we will timely adjust the market strategy according to the changes in market conditions; secondly, continue to explore the potential of European and US markets deeply for high-end pet drugs, while increasing internal circulation at the same time and focusing on the development of the RCEP (Regional Comprehensive Economic Partnership Protocol) market; thirdly, enter into strategic cooperation with customers for intermediate products to win more market share; fourthly, strengthen international development and establish new offices in Europe to gradually build up a global sales and technology transfer platform; fifthly, make full preparation for the market launch of 3 Vancin (萬星) products and Lana (拉那) products; sixthly, give full play to the Group's advantages of API for gradually entering the pet preparation market in Mainland China.

XV. PROSPECTS FOR FUTURE DEVELOPMENT *(Continued)*

(3) APIs and intermediates *(Continued)*

In 2021, the API business department of the Company will continue to improve the production quality management level of each subsidiary, increase our investment in safety and environmental protection and lay a solid foundation for environmental protection and safety. We will continue to accelerate the progress of new product development, pay close attention to product technology advancement, continue to introduce new product strain development and transform old product strain, guide and cooperate with each manufacturing subsidiary to firmly strengthen product technology advancement, and achieve cost reduction and efficiency improvement of leading products to further enhance the overall profitability and industry competitiveness of APIs.

(4) Diagnostic reagents and equipment

In 2021, Livzon Diagnostics, in areas of marketing, will consolidate the resources of various sales product lines, by leveraging on end-user resources to achieve sales targets, focusing sales on recovery of markets of existing products and sales of new products of Livzon Diagnostics after market launch, and emphasizing on the promotions and sales of open reagents (such as enzyme immune, respiratory tract infection, sexually transmitted disease testing, colloidal gold rapid testing method for infectious diseases, etc.) and closed system (such as multiple immune, chemiluminescent reagents, drug concentration monitoring) products and diagnostic reagents for COVID-19.

In respect of R&D, the most important task in 2021 is to ensure the smooth progress in R&D projects such as the molecular diagnostic platform and the chemiluminescence technology platform. While strong efforts will be exerted on driving the progress of R&D projects, efforts on the application for patents and the protection for intellectual property products will also be stepped up.

In terms of production system, while ensuring the steady quality and supply of conventional products, continuous efforts will be exerted to reduce costs and increase efficiency. The technological capability level of production and technical staff in adapting to new products and new technology platform will be comprehensively upgraded, and the automation level and information technology establishment of production will be enhanced on continuous basis.

In 2021, Livzon Diagnostics will actively pursue various tasks involving the spin-off and listing, leveraging the capital market to enhance its advantageous position in the areas of diagnostic reagents and equipment and core competitiveness.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

XVI. RISKS AND RESPONSE MEASURES

1. Risk of changes in industrial policies

The pharmaceutical manufacturing 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, the measures such as the enforcement and adjustment of the medical insurance catalogue, the continuous implementation of a new round of minimum procurement commitment and the launch of DRGs and DIP may have deep and lasting impact on the future development of the pharmaceutical industry, and promulgation of various policies may have different levels of impact on the Group's research and development, production and sales. In late December 2020, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security published the 2020 Catalogue of Drugs for National Basic Medical Insurance, Work Injury Insurance and Maternity Insurance (the "National Medical Insurance Catalogue (2020)"). Through the adjustments, a total of 2,800 pharmaceutical products were included in the National Medical Insurance Catalogue (2020), including 1,426 western drugs, 1,374 Chinese patent drugs, and 892 kinds of traditional Chinese medicine decoction pieces to which no adjustment was made.

Response measures: The Group did not participate in the admission and negotiation work of the medical insurance catalogue in respect of product in process for the year 2020. Currently, a total of 187 products of the Group are included in the National Medical Insurance Catalogue (2020), with 95 drugs in the class A list and 92 drugs in the class B list. Among the adjustments to the Catalogue for the year 2019, Ilaprazole Enteric-Coated Tablet (艾普拉唑腸溶片) was added into the coverage of national medical insurance reimbursement for Gastroesophageal Reflux Disease (反流性食管炎), Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片) entered the regular catalogue of national medical insurance, and Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) entered the negotiation catalogue of national medical insurance. Inclusion of these products in the National Medical Insurance Catalogue helped to enhance their promotion and sales and enabled these three products to achieve high growth rates, for example, the growth rate of income from sales of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) was 672.61% and the growth rate of income from sales of Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片) was 101.78%, and would continue to have a positive impact on the future operating results of the Company. Furthermore, the Company will respond actively to changes in the industry, pay close attention and conduct studies on the relevant policies of the industry, and strengthen our innovative and R&D capabilities.

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 makes pharmaceutical enterprises face pressure of price decline. (i) Minimum procurement commitment 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. In the first half of 2020, the second round of minimum procurement commitment was formally implemented, a total of 33 medical products are involved, covering the treatment areas of, among others, diabetes, hypertension and anti-tumor, and a total of 122 enterprises have participated. The average price reduction rate in this centralized procurement reached 53%, with maximum reduction rate of up to 93%. In August 2020, the selection results of the third round of centralized drug procurement organized by the State were published. According to statistics, the centralized drug procurement included 55 medical products, 125 enterprises, 191 drug regulations, with an average price reduction of 53%, and the maximum price reduction rate was over 95%. With continuous implementation of the minimum procurement commitment policy, a normalized and standardized system of minimum procurement commitment will be established subsequently, more products will be included in the scope of centralized minimum procurement commitment, it is expected that drug prices may continue to present a downward trend within a certain period of time. (ii) Price reduction was also seen in the national insurance negotiations. Among the 162 drugs that entered into negotiations in 2020, 119 drugs were successfully negotiated with a success rate of 73.46%. The price of drugs successfully negotiated was reduced by 50.64% on average.

XVI. RISKS AND RESPONSE MEASURES *(Continued)*

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

Response measures: (i) For minimum procurement commitment, 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. Hospital is one of the major customers of the Company, the Company will pay close attention to the developments of the policy of minimum procurement commitment. As at the End of the Reporting Period, there are 7 products being produced by the Company including Cetirizine Hydrochloride Tablets (鹽酸西替利嗪片) and Clarithromycin Tablets (克拉霉素片) on the list of minimum procurement commitment, which generated an aggregate sales income of RMB1.5546 million, representing 1.48% of the operating income of the Company during the Period. Since the abovementioned products of the Company have not yet passed the consistency evaluation and did not participate in the bidding for minimum procurement commitment, and the sales revenue from the aforesaid products represented a relatively low percentage in the overall operating income of the Group, therefore they did not have a material impact on the production and operation and current results of the Company. (ii) For adjustments made to the medical insurance catalogue, as Ilaprazole Sodium for Injection (注射用艾普拉唑鈉), the patented new drug developed by our Company, is admitted to the 2019 National Medical Insurance Catalogue, its price drops from RMB256 per unit to RMB156 per unit, and nearly half of the therapeutic costs are saved when compared with the originally developed similar proton pump inhibitors (PPI). Although the price is lowered, after being included into the National Medical Insurance Catalogue, the sales of the product accelerated significantly, and the medical coverage increased remarkably, which will have positive effects on the operation results of the Company. Moreover, the Company will also continue to innovate, research and develop innovative drugs and complex drug preparations with high barriers and generic drug varieties required urgently in clinical application and with a certain amount of high added-value. Deeper exploration will be made on existing products under production 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. Composition of product portfolios will be continuously optimized.

3. Risk of research and development for new drugs

In general, pharmaceutical products are required to go through many processes and stages from research and development 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 approval result is subject to uncertainty, hence risk of research and development 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) will come into effect on 1 July 2020, which has encouraged research and development 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.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

XVI. RISKS AND RESPONSE MEASURES *(Continued)*

3. Risk of research and development for new drugs *(Continued)*

Response measures: The Administration Measures for Drug Registration emphasizes on the orientation of clinical value, encourages research and invention of new drugs, which have enhanced the efficiency in drug registration, in particular registration for innovative drugs. The Company will focus on innovative drugs and high-barrier complicated drug preparations, pay attention to unfulfilled clinical needs and invest in innovative research and development 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 sustainable development of the Company.

4. Effect of the normalization of COVID-19 pandemic

The outbreak of novel coronavirus disease (COVID-19) at the beginning of 2020 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 reduced. The production and operation of the Company was also affected to a certain extent. On 8 May 2020, the State Council issued the Guidance Opinions on the Prevention and Control of the Normalization of Novel Coronavirus Infection (COVID-19) that unveiled a joint prevention and control mechanism to tackle the COVID-19 pandemic, and confirmed that the COVID-19 pandemic was under control in China with an optimistic trend of further stabilization and the prevention and control tasks have been changed from an emergency state to a normalized state. However, the pandemic continued to spread overseas. On 30 December 2020, the National Health Commission issued a document stating that the spread of COVID-19 had accelerated, and the pandemic situation in China was sporadic and overlapping with local clusters. As such, the situation of prevention and control was difficult and complicated. During the new year's day and Spring Festival, the number of people returned to the country from abroad increases, the mobility of people within the country is high, in addition, there are more gathering activities, especially indoor activities, and the logistics of imported cold chain food and goods increases. All of the above will increase the risk of spreading COVID-19. On 30 December 2020, the General Office of the Ministry of Commerce issued four prevention and control guidelines, including "Technical Guidelines for Prevention and Control of the Pandemic in Shopping Malls and Supermarkets" (《商場、超市疫情防控技術指南》).

XVI. RISKS AND RESPONSE MEASURES *(Continued)*

4. Effect of the normalization of COVID-19 pandemic *(Continued)*

Response measures: During the outbreak of the pandemic, the sales of some prescription drug products of the Company decreased under the impact of the outbreak. On the other hand, the Company has stepped up the development of diagnostic kits for the pandemic. The diagnostics kits for IgM/IgG antibody to novel coronavirus (colloidal gold) developed by Livzon Diagnostics, a controlling subsidiary of the Company, obtained approval for market launch and submitted import registration applications in many countries to supply both the domestic and overseas markets actively. Meanwhile, the sales of anti-viral granules of the Company increased significantly. As a result of the early resumption of work and production of Anti-viral Granules (抗病毒顆粒), there was a tight supply of masks for our employees at the early stage. However, with coordinated assistance of authorities such as the Zhuhai Science, Industry, Trade & Information Technology Bureau (珠海市科工貿信局), the Group was able to meet the needs of its production by importing masks from overseas in a timely manner. The Company issued the "Work Plan on Preventing the COVID-19 Pandemic in the Park" (《關於園區肺炎疫情防疫工作方案》) internally to strictly deploy the Company's prevention and control work. The pandemic changed the lifestyle of people, in order to assume the responsibility of prevention and control and reduce the flow and gatherings of personnel, a number of the Company's large-scale internal meetings were changed to be conducted online, meanwhile, the Company also took the opportunity to organize a number of online academic promotional activities. In general, the overall impact of COVID-19 on the business of the Company was relatively small and risks were within control. The extent of 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, we will reinforce our export advantages in special APIs, establish an internet operation center to enhance the online promotions of some drug preparation products, while continuously upgrading the automation level of production and sufficiently ensuring the supply of diagnostic reagents to fulfill the needs under the pandemic.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

XVI. RISKS AND RESPONSE MEASURES *(Continued)*

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

Raw materials such as Chinese herbs, active pharmaceutical ingredients, 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 profit level of the Company.

Response measures: firstly, the Company has already built its own GAP production base for some of the key categories of Chinese herbal raw 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 (得乐系列) 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 of the relatively large increase in the price of raw materials for Anti-viral Ganules (抗病毒颗粒), the impact on the cost of Antiviral Ganules (抗病毒颗粒) 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 and coupled with the sufficient inventory of those raw and auxiliary materials necessary for our production during the Spring Festival, 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 waste water, waste gases 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 IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

XVII. OTHER EVENTS

1. Reserves

Details of the amounts and movements of reserves of the Group during the Year are set out in “Consolidated Statement of Changes in Shareholders’ Equity” and “Note V. 40. Surplus reserves” to the financial statements in the Report.

2. Distributable reserves

As at 31 December 2020, the distributable reserves of the Company calculated in accordance with China Accounting Standards for Business Enterprises amounted to RMB3,950 million (31 December 2019: RMB3,937 million).

3. Fixed assets

Details of movements in fixed assets during the Year are set out in “Note V. 13. Fixed Assets” to the financial statements in the Report.

4. Connected/Related transactions

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

5. Management contracts

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

6. Review by Audit Committee

The financial results for the year ended 31 December 2020 have been reviewed by the Audit Committee of the Company. For the details of “KEY AUDIT MATTERS”, please refer to “AUDITORS’ REPORT” in Section XII of this Report.

7. Relationship with employees, customers and suppliers

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

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

XVII. OTHER EVENTS *(Continued)*

8. Permitted indemnity provision

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

9. Compliance with laws and regulations

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

10. Environmental policies and performance

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

XVIII. REPURCHASE, SALE OR REDEMPTION OF SECURITIES

Repurchase of A Shares

On 26 March 2020, the Repurchase of Part of the Public Shares Scheme (the "Repurchase Scheme") had been considered and approved at the 2020 second extraordinary general meeting, the 2020 first class meeting of A Shareholders and the 2020 first class meeting of H Shareholders of the Company. On 25 May 2020, the extension of the expiry date of the Repurchase Scheme to 25 December 2020 had been considered and approved at the 2019 annual general meeting, 2020 second class meeting of A Shareholders and 2020 second class meeting of H Shareholders of the Company. According to the Repurchase Scheme, the Company intends to repurchase part of its public A Shares by means of centralized bidding transactions through the trading system of the Shenzhen Stock Exchange. The repurchase price shall not exceed RMB45.00 per A Share. The aggregate amount of funds to be used by the Company for the repurchase shall not be less than RMB250 million (inclusive) and not more than RMB500 million (inclusive).

The implementation period ("Repurchase Period") of the Repurchase Scheme was from 26 March 2020 to 25 December 2020. During the Repurchase Period, the Company made a total repurchase of 6,093,808 A Shares of the Company (the "Repurchased A Shares") by means of centralized bidding transactions pursuant to the Repurchase Scheme, accounting for 0.64% and 0.98% of the total issued share capital and the total issued A Shares of the Company as at 25 December 2020, respectively. The highest purchase price was RMB44.88 per share; while the lowest purchase price was RMB38.95 per share. The aggregate amount of funds used for the repurchase was RMB250,061,413.16 (including the transaction costs). All of the Repurchased A Shares would be cancelled and the registered capital would be reduced accordingly. The cancellation of the Repurchased A Shares was completed on 29 January 2021.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

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

Repurchase of H Shares

The grant of general mandate to the Board to repurchase H Shares of the Company (the “H Share Repurchase Mandate”) was considered and approved by the Board of the Company on 30 November 2020 and by the 2020 sixth extraordinary general meeting, the 2020 third class meeting of A Shareholders and the 2020 third class meeting of H Shareholders of the Company on 23 December 2020, respectively.

The maximum number of H Shares proposed to be repurchased shall not exceed 31,986,421 H Shares, representing 10% of the total number of issued and unrepurchased H Shares on the date when the resolution on the H Share Repurchase Mandate was approved, while a sufficient public float as required by the Hong Kong Listing Rules shall be maintained. The repurchase shall be implemented by batches, and each of the repurchase price shall be no higher than 5% of the average closing price in the five trading days prior to the relevant date of repurchase. The Company would cancel the repurchased H Shares upon completion of the repurchase, and the Company would reduce its registered capital accordingly. As at the End of the Year, the Company has not begun to repurchase H Shares. As at the date of disclosure of this Report, the Company has repurchased 6,628,600 H Shares.

Save as disclosed above, during the period from 1 January 2020 to 31 December 2020, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the listed securities of the Company.

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 authorized by CSRC or the Shenzhen Stock Exchange. It is anticipated that the Company shall maintain not less than 29.57% of the total issued share capital of Livzon Diagnostics upon and after completion of the proposed A share listing.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

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

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 by the general meeting of the Company in order to comply with the relevant PRC laws and regulations.

On 20 November 2020, the proposed spin-off had been considered and approved at the 2020 fourth extraordinary general meeting of the Company. In November 2020 and February 2021, Livzon Diagnostics lodged a registration in respect of the commencement of the tutoring period and submitted the record report of the first interim tutoring with the Guangdong administration of the CSRC, respectively. Save as disclosed herein, as at the date of disclosure of this Report, Livzon Diagnostics has not submitted any other application or filing to the Shenzhen Stock Exchange and the relevant regulatory authorities of the PRC.

XX. NON-PUBLIC ISSUANCE OF A SHARES

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

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

XX. 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 indepth 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 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 indepth 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 IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

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

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

Progress of the Reporting Period

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 indepth 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 IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

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

Progress of the Reporting Period *(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 implementation bodies shall remain unchanged. The production equipment originally purchased with the proceeds will continue to remain in the original construction site for use by other projects of the Company. To ensure the use of proceeds for designated purpose, the Company will apply its own funds in replacement of the proceeds of RMB7.4793 million used for cleaning and decorating the workshop and purchasing equipment. After the adjustment, the total investment in the Ilaprazole Project will remain to be RMB295.6272 million, and the investment amount in the Sub-project will remain to be RMB102.60 million. The resolution has been considered and approved at the 2020 fifth extraordinary general meeting of the Company held on 11 December 2020.

XXI. SHARE OPTIONS INCENTIVE SCHEMES

1. The 2018 Share Options Incentive Scheme

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

Pursuant to Chapter 17 of the Hong Kong Listing Rules, the 2018 Share Options Incentive Scheme constitutes a share options 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.

XXI. 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 for the Reserved Grant and the exercise schedule for each tranche:

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

Basis for determining exercise price

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

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

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

Basis for determining exercise price *(continued)*

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

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

Fair value and accounting policies of the share options

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

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

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

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

Note 2: risk-free interest rates are chosen based on fixed time deposit rates of the corresponding exercise period.

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

XXI. SHARE OPTIONS INCENTIVE SCHEMES (continued)

1. The 2018 Share Options Incentive Scheme (continued)

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

(1) Fair value (continued)

(i) First Grant (continued)

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

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

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

(ii) Reserved Grant

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

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

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

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

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

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

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

(1) Fair value *(continued)*

(ii) Reserved Grant *(continued)*

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.

(2) Accounting policies

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

Revision of the scheme

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

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

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

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 reserves into share capital on 26 July 2019.
- (3) On 18 September 2019, the Company convened the thirty-second meeting of the ninth session of the Board to consider and approve:
 - (i) the cancellation of 254,995 share options held by 17 incentive participants which have been granted but not yet exercised (the cancellation was completed on 16 October 2019, and the exercise price of the cancelled share options was RMB36.16 per A share), since such 17 incentive participants under the First Grant have resigned due to personal reasons and thus did not meet the incentive criteria. After the cancellation, the number of incentive participants under the First Grant was adjusted from 1,050 to 1,033, and the number of share options under the First Grant was adjusted from 22,718,150 to 22,463,155;
 - (ii) that the 1,033 incentive participants who have met the exercise conditions may exercise 8,985,262 share options in the first exercise period at an exercise price of RMB36.16 per A share, given that the exercise conditions for the first exercise period under the First Grant have been fulfilled.

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)***1. The 2018 Share Options Incentive Scheme** *(continued)***First Grant** *(continued)*

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

XXI. SHARE OPTIONS INCENTIVE SCHEMES (continued)

1. The 2018 Share Options Incentive Scheme (continued)

First Grant (continued)

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

Incentive participant	Position	Number of share options held as at 1 January 2020 (0'000 share options) ⁽¹⁾⁽²⁾	Number of share options exercised during the Year (0'000 share options)	Number of share options held as at 31 December 2020 (0'000 share options)	Number of share options cancelled during the Year (0'000 share options)	Number of share options lapsed during the Year (0'000 share options)
Mr. Tang Yanggang ⁽⁵⁾	Executive Director and President	20.2800	14.1960	6.0840	–	–
Mr. Tao Desheng ⁽³⁾	Vice Chairman and Non-Executive Director	25.3500	10.1400	15.2100	–	–
Mr. Xu Guoxiang ⁽⁶⁾	Vice Chairman, Executive Director and Vice President	25.3500	10.1400	15.2100	–	–
Mr. Yang Daihong	Vice President	20.2800	8.1120	12.1680	–	–
Ms. Si Yanxia	Vice President, Chief Financial Officer	20.2800	8.1100	12.1680	–	0.0020
Mr. Zhou Peng	Vice President	13.5200	5.4080	8.1120	–	–
Ms. Huang Yuxuan	Vice President	11.8300	4.7320	7.0980	–	–
Mr. Xu Peng	Vice President	10.1400	4.0560	6.0840	–	–
Mr. Yang Liang	Vice President, Secretary to the Board and Company Secretary	11.8300	8.2810	3.5490	–	–
Ms. Hou Xuemei ⁽⁴⁾	Mid-level management	10.1400	4.0560	6.0840	–	–
Mid-level management and relevant core personnel of the Company (1,023 persons)		2,077.3155	891.6910	1,015.7588	153.5765	16.2892

- 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) Mr. Tao Desheng exercised 50,000 share options and 51,400 share options on 15 June 2020 and 19 June 2020, respectively. The weighted average closing price of the A Share of the Company on 12 June 2020 and 18 June 2020 was RMB45.31 per share.
- (4) Ms. Hou Xuemei exercised 10,000 share options and 30,560 share options on 17 June 2020 and 19 June 2020, respectively. The weighted average closing price of the A Share of the Company on 16 June 2020 and 18 June 2020 was RMB46.36 per share. Ms. Hou Xuemei is the spouse of Mr. Tao Desheng, a Director of the Company, and hence is a close associate of Mr. Tao Desheng pursuant to the Hong Kong Listing Rules.
- (5) Mr. Tang Yanggang exercised 81,120 share options and 60,840 share options on 1 September 2020 and 12 November 2020, respectively. The weighted average closing price of the A Share of the Company on 31 August 2020 and 11 November 2020 was RMB49.78 per share.
- (6) Mr. Xu Guoxiang exercised 101,400 share options on 1 July 2020. The closing price of the A Share of the Company on 30 June 2020 was RMB48.01 per share.
- (7) During the Year, except for Mr. Tao Desheng, Ms. Hou Xuemei, Mr. Tang Yanggang and Mr. Xu Guoxiang, the weighted average closing price of the A Share of the Company for all other incentive participants in aggregate immediately preceding the exercise date was RMB44.14 per share.
- (8) Mr. Fu Daotian resigned as an executive Director and a vice president of the Company on 27 September 2019. The 121,680 share options held by him which had not fulfilled the exercise conditions would be cancelled according to the relevant requirements (As at the date of disclosure of this Report, the aforesaid 121,680 share options have been cancelled).

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

Reserved Grant

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

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

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

Reserved Grant *(continued)*

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

Incentive participant	Position	Number of share options held as at 1 January 2020 (0'000 share options)	Number of share options exercised during the Year (0'000 share options)	Number of share options held as at 31 December 2020 (0'000 share options)	Number of share options cancelled during the Year (0'000 share options)
Mr. Dai Weiguo*	Vice President	13.0000	—	—	13.0000
Mid-level management and core personnel of the Company (166 persons)		239.4500	38.3501	183.1099	17.9900
Total 167 persons		252.4500	38.3501	183.1099	30.9900

Note: 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. On 27 August 2019 (one day before the grant date), the closing price of A Shares of the Company was RMB29.39 per share.

* Mr. Dai Weiguo resigned as a vice president of the Company on 29 May 2020, the 130,000 share options held by him which have not met the exercise conditions would be cancelled according to the relevant regulations (As at the disclosure date of the Report, the aforesaid 130,000 share options have been cancelled).

As at the End of the Year, the total number of ordinary A Shares of the Company that may be issued under the 2018 Share Options Incentive Scheme (Revised) was 21,728,707 shares, including 19,897,608 share options under the First Grant and 1,831,099 share options under the Reserved Grant, which in aggregate represented 2.30% of the total issued share capital of the Company as at the End of the Period.

As at 31 December 2020, save as disclosed above, all the share options granted under the First Grant and the Reserved Grant have not been exercised, cancelled or lapsed.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

2. The Subsidiary Share Option Scheme

Purpose of the Scheme and Vetting

In order to fully motivate the core personnel and safeguard the stable and long-term dedication to work of the research and development core personnel of Livzon Biologics (a holding subsidiary of the Company in which the Company indirectly holds 51% issued share capital), particularly that of Livzon MAB, its wholly-owned subsidiary, and to facilitate the implementation of the Company's strategic objective in relation to its biopharmaceutical development, the Company convened the sixteenth meeting of the ninth session of the Board on 17 July 2018 to consider and approve (i) the Livzon Biologics Share Option Scheme (the "Subsidiary Share Option Scheme"), and the proposal for the general meeting of the Company to authorize the board of directors of the Company and/or Livzon Biologics to take steps or action as they may consider necessary or expedient to implement or give effect to the Subsidiary Share Option Scheme; and (ii) the proposed grant of 1,666,666 subsidiary share options to Mr. Fu Daotian (the director of Livzon MAB and the Director and Vice President of the Company) to subscribe for 1,666,666 ordinary shares of Livzon Biologics (representing approximately 1.34% of the number of issued ordinary shares of Livzon Biologics as at the date of the Report), to reward and encourage his continuous contributions towards Livzon Biologics and Livzon MAB.

Pursuant to the Chapter 17 of the Hong Kong Listing Rules, the Subsidiary Share Option Scheme constitutes a share option scheme, and shall be subject to approval by shareholders' general meeting. On 5 September 2018, the two resolutions in relation to the Subsidiary Share Option Scheme and the proposed grant of subsidiary share options under the Subsidiary Share Option Scheme to Mr. Fu Daotian were considered and approved at the 2018 third extraordinary general meeting of the Company.

Total number of shares issuable and the incentive participants

Pursuant to the Subsidiary Share Option Scheme, the maximum number of ordinary shares of Livzon Biologics in respect of which the share options of Livzon Biologics (the "Subsidiary Share Options") may be granted under the Subsidiary Share Option Scheme shall be 11,111,111 shares (representing approximately 8.919% of the number of issued ordinary shares of Livzon Biologics as at the date of the Report), and the incentive participants include the directors, employees, advisers and professional consultants of Livzon Biologics or any of its subsidiaries.

Maximum number of share options to be granted to incentive participants and the relevant vetting requirements

The total number of ordinary shares of Livzon Biologics issued and to be issued upon the exercise of share options granted under the Subsidiary Share Option Scheme (including exercised, cancelled and outstanding Subsidiary Share Options) to each incentive participant in any 12-month period up to the date of grant shall not exceed 1% of the issued ordinary shares of Livzon Biologics as at the date of grant. Any further grant of Subsidiary Share Options in excess of this limit is subject to shareholders' approval in a general meeting of Livzon Biologics and shareholders' approval in a general meeting of the Company respectively. In addition, any Subsidiary Share Options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the ordinary shares of Livzon Biologics in issue (based on the date of grant) and an aggregate value of HK\$5,000,000 (based on the closing price of Livzon Biologics' shares as at the date of each grant, and only applicable for the ordinary shares of Livzon Biologics listed on the Hong Kong Stock Exchange or any other stock exchange) within any 12-month period are subject to shareholders' approval in advance in a general meeting of Livzon Biologics and Shareholders' approval in advance in a general meeting of the Company respectively. Any grant of Subsidiary Share Options to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates, are subject to approval in advance by independent non-executive Directors of the Company.

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

2. The Subsidiary Share Option Scheme *(continued)*

Determination of exercise price and consideration for acceptance of share options

The exercise price of the share options under the Subsidiary Share Option Scheme is determined at the sole discretion of the board of directors of Livzon Biologics. Factors for consideration may include the business performance and value of Livzon Biologics and the individual performance of the relevant incentive participants. Incentive participants who accept the Subsidiary Share Options shall pay an amount of HK\$0.10 or its equivalent in RMB.

Validity period of the scheme

The Subsidiary Share Option Scheme shall be valid and effective for the period commencing on the Subsidiary Share Option Scheme Adoption Date (i.e. 5 September 2018) and ending on the date immediately before the Livzon Biologics Listing Date (both dates inclusive) or 10 years from the Subsidiary Share Option Scheme Adoption Date (both dates inclusive), whichever is earlier.

Duration of share options and vesting period

The exercisable period of the Subsidiary Share Options is determined by the board of directors of Livzon Biologics, and the period shall not exceed 10 years from Subsidiary Share Option Offer Date (the date on which such subsidiary share option is offered to an eligible participant).

Unless otherwise provided in the respective grantee's offer document, a grantee's Subsidiary Share Options shall become vested to him or her in the following manners:

- (a) up to 25% of the ordinary shares of Livzon Biologics that are subject to the Subsidiary Share Options so granted to him (rounded down to the nearest whole number) at any time during the period commencing from the first anniversary of the Subsidiary Share Option Commencement Date and ending on the expiry of the Subsidiary Share Option Period;
- (b) up to 50% of the ordinary shares of Livzon Biologics that are subject to the Subsidiary Share Options so granted to him (rounded down to the nearest whole number) at any time during the period commencing from the second anniversary of the Subsidiary Share Option Commencement Date and ending on the expiry of the Subsidiary Share Option Period;
- (c) up to 75% of the ordinary shares of Livzon Biologics that are subject to the Subsidiary Share Options so granted to him (rounded down to the nearest whole number) at any time during the period commencing from the third anniversary of the Subsidiary Share Option Commencement Date and ending on the expiry of the Subsidiary Share Option Period; and
- (d) up to 100% of the ordinary shares of Livzon Biologics that are subject to the Subsidiary Share Options so granted to him at any time during the period commencing from the fourth anniversary of the Subsidiary Share Option Commencement Date and ending on the expiry of the Subsidiary Share Option Period.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

2. The Subsidiary Share Option Scheme *(continued)*

Duration of share options and vesting period *(continued)*

Only the vested percentage of the Subsidiary Share Option shall be exercisable by the respective grantee during the Subsidiary Share Option Period, provided that no Subsidiary Share Option shall be exercisable before the Livzon Biologics Listing Date.

Furthermore, unless otherwise approved by the board of directors of Livzon Biologics in writing, the vesting schedule requires continued employment of or service by the respective grantee through each applicable vesting date as a condition to the vesting of the applicable percentage of the Subsidiary Share Options and the rights and benefits under Subsidiary Share Option Scheme and the respective grantee's offer document, and employment or service for only a portion of the respective vesting period, even if a substantial portion, will not entitle the respective grantee to any proportionate vesting of the Subsidiary Share Options.

As at 31 December 2020, the Subsidiary Share Option Scheme has not been implemented and therefore no Subsidiary Share Options were granted. Meanwhile, to facilitate the reorganization (please refer to the relevant content of "Connected Transactions in Relation to Reorganization of Shareholding Structures of Controlling Subsidiaries" under "CONNECTED TRANSACTIONS DEFINED PURSUANT TO THE HONG KONG LISTING RULES" in the Section V of the Report for details of the reorganization), after consideration and approval by the general meeting of the Company, the aforesaid Subsidiary Share Option Scheme was terminated upon the completion (i.e. 15 January 2021) of subscription from the employee incentive platform of LivzonBio.

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

On 23 December 2019, the Company convened the thirty-fifth meeting of the ninth session of the Board to consider and approve the Medium to Long-term Business Partner Share Ownership Scheme (Draft) and its summary (the "Ownership Scheme"). The Ownership Scheme was approved by the 2020 first extraordinary general meeting on 11 February 2020. In order to further improve the Ownership Scheme, the Board and the Company's 2020 fifth extraordinary general meeting considered and approved the revision of some provisions under the Ownership Scheme on 16 November 2020 and 11 December 2020, respectively. On 30 December 2020, the Board considered and approved the postponement of implementing the Phase 1 Ownership Scheme under the Ownership Scheme, and would choose the right timing to proceed according to relevant provisions.

Purpose of the Ownership Scheme

The 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.

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

(continued)

Implementation of the Ownership Scheme

Upon review and approval by the general meeting, the Ownership Scheme shall be implemented in phases. The Board shall be subsequently authorised to take charge of the extraction of the special fund and the implementation of the Ownership Scheme.

Participation principles and target participants

The 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 Ownership Scheme by way of apportionment or forced distribution. Target participants are the core management personnel who play an important role in the overall performance and medium to long-term development of the Company. Target participants for the respective phases of the Ownership Scheme shall be proposed by the Board in the respective phases according to staff's degree of contribution to the performance results of the Company, staff changes and appraisals during the year of assessment, and shall be reviewed and determined by the general meeting. Shareholders holding more than 5% of the shares of the Company and de facto controllers shall not participate in the Ownership Scheme.

Source of funds

Funds for the Ownership Scheme may come from the special fund of the Ownership Scheme set aside by the Company, employees' legal compensation or employees' self-raised funds by means permitted by the laws and regulations. The special fund system of the Ownership Scheme shall be valid for ten years, with 2019 to 2028 as the years of assessment. During the years of assessment, the Board shall be responsible for extracting the special fund according to the special fund extracting principles. Where the conditions for extracting the special fund are not met in a relevant year, the special fund shall not be extracted, which, however, shall have no impact on the implementation of the Ownership Scheme. The extraction of the special fund shall be determined according to the following principles:

- (1) The extraction of the special fund shall be based on the net profit attributable to the Shareholders of the Company after deducting the extraordinary gains or loss in 2018. 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 funds with a compound growth rate of over 15%
$X \leq 15\%$	0
$15\% < X \leq 20\%$	25%
$20\% < X$	35%

- (2) 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 loss 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 loss.
- (3) If the audited net profit attributable to the Shareholders of the Company after deducting the extraordinary gains or loss in the current year increases less than 5% year-on-year comparing to that in the previous year due to the provision of the special fund, no special fund shall be set aside for the year.

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

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

(continued)

Sources and number of shares

Sources of shares in the Ownership Scheme: underlying shares purchased through means as permitted by the laws and regulations (including the Hong Kong Listing Rules), including purchases through the secondary market (including but not limited to bidding transactions and block trades), repurchases of treasury shares by the Company (only applicable to A Shares), and participation in the subscription for the Company's non-public issuance of shares. Where the underlying shares are purchased through the secondary market, it shall be completed within six months after the respective phases of the Ownership Scheme are reviewed and approved by the general meeting. Where the shares are obtained by way of participating in the subscription for the Company's non-public issuance of shares, it shall be implemented in accordance with relevant provisions on non-public issuance (including the Hong Kong Listing Rules).

The aggregate number of shares to be held in the respective phases of the Ownership Scheme that will be established and continued in the Ownership Scheme shall not exceed 10% of the total share capital of the Company, and the aggregate number of shares corresponding to the shares of the Ownership Scheme (including all respective phases) to be held by a single employee shall not exceed 1% of the total share capital of the Company. The aggregate number of the underlying shares shall not include shares obtained by the holders prior to the initial public offering of shares by the Company, shares purchased through the secondary market and shares obtained through equity incentives.

Duration

The Ownership Scheme shall be implemented in multiple phases. Within the ten years from 2020 to 2029, the multiple independently existing phases of the Ownership Scheme shall be implemented on a reasonable basis and, in principle, once a year, after determining whether the special fund for the previous year shall be extracted or not, be determined by the Board to decide whether to implement or not. The duration of each phase of the 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 each phase to the account in the name of the Ownership Scheme for the current phase.

Lock-up period

- (1) the lock-up period of the underlying shares purchased by way of employees' legal compensation and employees' self-raised funds shall be 12 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 each phase to the account in the name of the Ownership Scheme for the current phase;
- (2) the lock-up period of the underlying shares purchased by way of the special fund set aside by the Company 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 each phase to the account in the name of the Ownership Scheme for the current phase.

Where the underlying shares of the Ownership Scheme is obtained by way of participating in the subscription for the Company's non-public issuance of shares, the lock-up period shall be 36 months, which is calculated from the time when the Company makes an announcement on the deposit of shares obtained by way of non-public issuance to the account in the name of the Ownership Scheme for the current phase.

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

(continued)

Management model

The highest organ of authority responsible for the internal management of the respective phases under the Ownership Scheme shall be the holders' meeting. The holders' meeting in the respective phases of the Ownership Scheme shall elect a management committee, which shall perform the daily management of the Ownership Scheme. It shall be determined by the general meeting whether the management of the respective phases under the Ownership Scheme will be taken charge of by the Company itself or will be commissioned to agencies with asset management qualifications.

Disposal of interests

- (1) After the expiration of the duration of the respective phases of the Ownership Scheme, (i) the holders' meetings of the respective phases of the Ownership Scheme shall authorise the management committee to complete clearance within 15 working days from the expiration of the duration or termination of the 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 for the respective phases of the Ownership Scheme; (ii) if any of the underlying shares is still included in the assets which are held by the respective phases of the Ownership Scheme, the management committee of the respective phases of the Ownership Scheme shall determine a specific way of disposal.
- (2) After the lock-up period of the respective phases of the 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 of the Ownership Scheme;
 - (ii) sell the underlying shares that are purchased by the Ownership Scheme within the duration of the Ownership Scheme;
 - (iii) transfer the ownership of the underlying shares to the personal accounts of holders of the Ownership Scheme;
 - (iv) other ways as permitted by the laws, administrative regulations, rules or normative documents.

Where there is distributable income after expiration of the lock-up period of the respective phases of the Ownership Scheme, the management committee of the respective phases 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 IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

XXIII. PROFIT DISTRIBUTION PLAN

For 2020 profit distribution plan, please refer to “PROFIT DISTRIBUTION OF ORDINARY SHARES AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL OF THE COMPANY” and “PROPOSALS ON PROFIT DISTRIBUTION AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL DURING THE YEAR” in Section V of the Report for relevant information.

XXIV. AUDITORS

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

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

The auditors of the Company for 2017 and 2018 were Ruihua Certified Public Accountants (LLP).

On 9 December 2019, the 2019 fourth extraordinary general meeting of the Company approved the termination of Ruihua Certified Public Accountants (LLP) as the Company’s auditor for the year 2019 and the appointment of Grant Thornton (Special General Partnership) as the Company’s auditor for the year 2019. On 25 May 2020, the 2019 annual general meeting of the Company considered and approved to renew the appointment of Grant Thornton (Special General Partnership) as the auditor of the Company for the year 2020.

XXV. TAXATION AND TAX RELIEF

Shareholders of the Company are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation. The following cited laws, regulations and stipulations are all relevant provisions which were in issue during the year ended 31 December 2020. Shareholders, if necessary, shall seek professional advice from their tax and legal advisors for advices relating to tax payment or its impacts:

A Shareholders

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

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

XXV. TAXATION AND TAX RELIEF *(continued)*

A Shareholders *(continued)*

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

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

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

H Shareholders

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

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

XXV. TAXATION AND TAX RELIEF *(continued)*

H Shareholders *(continued)*

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

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

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

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

Save for the aforesaid service contracts and matters disclosed in the Report, none of the Directors or Supervisors (or any entities connected with them) of the Company had a material interest, whether direct or indirect, in any other transactions, arrangements or contacts of significance which had been entered into by the Company, any of its subsidiaries, or its holding company or the holding company's subsidiaries for the year ended 31 December 2020.

XXVII. ARRANGEMENT OF PURCHASING SHARES OR BONDS BY DIRECTORS

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

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

XXVIII. PRE-EMPTIVE RIGHTS

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

XXIX. CHARITABLE DONATION

During the Year, the expenditure of charitable donation of the Group amounted to RMB10.81005 million (2019: RMB3.74551 million).

XXX. HOSTING RESEARCHES, COMMUNICATIONS AND INTERVIEWS DURING THE YEAR

✓ Applicable ☐ Not applicable

Date of reception	Place of reception	Method of reception	Type of guests	Name of guests	Main contents discussed and information provided	Index of basic information of research
3 January 2020	Not Applicable	Telephone communication	Institution	Fullgoal Fund, HTSC	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 3 January 2020" published by the Company on CNINFO on 3 January 2020
6 January 2020	Not Applicable	Telephone communication	Institution	Guosen Securities, BOCOM Schroders	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 6 January 2020" published by the Company on CNINFO on 7 January 2020
22 April 2020	Not Applicable	Telephone communication	Institution	Essence International	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 22 April 2020" published by the Company on CNINFO on 23 April 2020
24 April 2020	Not Applicable	Telephone communication	Institution	China AMC, Harvest Fund, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 24 April 2020" published by the Company on CNINFO on 24 April 2020

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

XXX. HOSTING RESEARCHES, COMMUNICATIONS AND INTERVIEWS DURING THE YEAR *(continued)*

Date of reception	Place of reception	Method of reception	Type of guests	Name of guests	Main contents discussed and information provided	Index of basic information of research
28 April 2020	Not Applicable	Telephone communication	Institution	Bosera Asset Management	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 28 April 2020" published by the Company on CNINFO on 28 April 2020
29 April 2020	Not Applicable	Telephone communication	Institution	Chaoxian Fund* (超弦基金)	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 29 April 2020" published by the Company on CNINFO on 30 April 2020
19 May 2020	Not Applicable	Telephone communication	Institution	Jinda Asset Management* (晉達資管)	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 19 May 2020" published by the Company on CNINFO on 19 May 2020
26 May 2020	Not Applicable	Telephone communication	Institution	China Shouzheng Fund* (中國守正基金), Man Group (英仕曼), etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 26 May 2020" published by the Company on CNINFO on 27 May 2020
28 May 2020	Not Applicable	Telephone communication	Institution	Dongteng Venture Capital* (東騰創投)	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 28 May 2020" published by the Company on CNINFO on 29 May 2020
3 June 2020	Not Applicable	Telephone communication	Institution	Fullgoal Fund, Foresea Life, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 3 June 2020" published by the Company on CNINFO on 3 June 2020

XXX. HOSTING RESEARCHES, COMMUNICATIONS AND INTERVIEWS DURING THE YEAR (continued)

Date of reception	Place of reception	Method of reception	Type of guests	Name of guests	Main contents discussed and information provided	Index of basic information of research
4 June 2020	Not Applicable	Telephone communication	Institution	Guosheng Securities	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 4 June 2020" published by the Company on CNINFO on 5 June 2020
20 July 2020	Not Applicable	Online communication	Institution	Essence Fund, Guosheng Securities, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 20 July 2020" published by the Company on CNINFO on 22 July 2020
28 August 2020	The office of the Company	Field research	Institution	Guotai Junan Securities, Fullgoal Fund	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 28 August 2020" published by the Company on CNINFO on 31 August 2020
14 September 2020	The office of the Company	Field research	Institution	Mingda Assets, CSC Financial* (中信建投)	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 14 September 2020" published by the Company on CNINFO on 15 September 2020
22 September 2020	The office of the Company	Field research	Institution	Kaisheng Fund	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 22 September 2020" published by the Company on CNINFO on 22 September 2020
2 December 2020	The office of the Company	Field research	Institution	Penghua Fund	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 2 December 2020" published by the Company on CNINFO on 2 December 2020

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

XXX. HOSTING RESEARCHES, COMMUNICATIONS AND INTERVIEWS DURING THE YEAR *(continued)*

Date of reception	Place of reception	Method of reception	Type of guests	Name of guests	Main contents discussed and information provided	Index of basic information of research
14 December 2020	The office of the Company	Field research	Institution	Industrial Securities	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 14 December 2020" published by the Company on CNINFO on 16 December 2020
16 December 2020	The office of the Company	Field research	Institution	Zhongtai Securities, Tianfeng Securities, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 16 December 2020" published by the Company on CNINFO on 17 December 2020
29 December 2020	The office of the Company	Field research	Institution	Gaoyi Asset Management, Mingda Assets, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details of the research, please see the "Livzon Group: Record Chart of Investor Relations Activities on 29 December 2020" published by the Company on CNINFO on 30 December 2020
Number of receptions			19			
Number of institutions received			310			
Number of individuals received			2			
Number of other guests received			0			
Whether to disclose, reveal or divulge the undisclosed material information			No			

SECTION IV. OPERATION DISCUSSION AND ANALYSIS (REPORT OF THE BOARD)

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

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

Executive Directors

Mr. Tang Yanggang (唐陽剛先生) (President)

Mr. Xu Guoxiang (徐國祥先生) (Vice Chairman and Vice President)

Non-executive Directors

Mr. Zhu Baoguo (朱保國先生) (Chairman)

Mr. Tao Desheng (陶德勝先生) (Vice Chairman)

Mr. Qiu Qingfeng (邱慶豐先生)

Mr. Yu Xiong (俞雄先生) (appointed as non-executive Director on 30 June 2020)

Independent non-executive Directors

Mr. Bai Hua (白華先生) (appointed as independent non-executive Director on 30 June 2020)

Mr. Zheng Zhihua (鄭志華先生)

Mr. Xie Yun (謝耘先生)

Mr. Tian Qiusheng (田秋生先生)

Mr. Wong Kam Wa (黃錦華先生)

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

Mr. Wang Maolin (汪卯林先生) (Chief Supervisor)

Mr. Huang Huamin (黃華敏先生)

Mr. Tang Yin (湯胤先生)

By order of the Board

Zhu Baoguo

Chairman

22 March 2021

I. PROFIT DISTRIBUTION OF ORDINARY SHARES AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL OF THE COMPANY

Profit Distribution Policy for Ordinary Shares and in particular, the Formulation, Implementation or Adjustment of Cash Dividends Policy during the Year

☒ Applicable ☐ Not applicable

During the Year, the Company implemented such policy in strict accordance with the dividend policy set out in the Articles of Association. Details of the distribution plan are set out below.

Special Description of Cash Dividends Policy

Whether the policy complied with the provisions of the Articles of Association or the requirements of the resolutions of the general meeting:	Yes
Whether the standard and proportion of dividends distribution were definite and clear:	Yes
Whether the relevant decision-making process and mechanisms were well-established:	Yes
Whether the independent Directors performed their duties and carried out their responsibilities:	Yes
Whether the minority shareholders had sufficient opportunities to express their opinions and appeals and whether their legitimate rights and interests were fully protected:	Yes
Whether the conditions and procedures were transparent and in compliance with relevant requirements, if the cash dividends policy was adjusted and changed:	Yes

On 23 December 2019, the 35th meeting of the ninth session of the Board considered and approved the Company's Shareholders' Return Plan for the Three Years (2019-2021) of the Company. During the term of the plan, in the case where the conditions for paying out cash dividends and the capital requirements for its normal production and operation are met, the Company shall actively distribute profits in the form of cash, and the profits to be distributed in cash each year shall not be less than 80% of the distributable profit achieved in the current year. The Shareholders' Return Plan for the Three Years has been approved at the 2020 first extraordinary general meeting of the Company held on 11 February 2020.

(Proposed) Profit Distribution Plan for Ordinary Shares in the Latest Three Years (Including the Year) and (Proposed) Conversion Plan of Capital Reserves into Share Capital of the Company

The proposed 2020 annual profit distribution plan of the Company is as follows: 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 above distribution plan shall be submitted to the annual general meeting of the Company for consideration and approval. A circular of H Shares containing, among other things, further information in relation to the AGM and the cash dividend will be dispatched to the Shareholders of the Company as soon as practicable.

The 2019 annual profit distribution plan of the Company was as follows: to distribute cash dividend of RMB11.50 (tax inclusive) for every 10 shares in an estimated total amount of RMB1,074,977,076.25 (tax inclusive), based on the Company's total share capital of 934,762,675 shares as at the end of 2019. There would be no bonus shares, nor would the capital reserves be capitalized. If there is any change in the total issued share capital of the Company as a result of issue of new shares, option exercise of share incentive and repurchase of shares before implementing the distribution plan, the proportion of allocation would be adjusted in accordance with the principle of "the total amount of cash distribution remains unchanged".

I. PROFIT DISTRIBUTION OF ORDINARY SHARES AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL OF THE COMPANY *(continued)*

(Proposed) Profit Distribution Plan for Ordinary Shares in the Latest Three Years (Including the Year) and (Proposed) Conversion Plan of Capital Reserves into Share Capital of the Company *(continued)*

The 2018 annual profit distribution plan of the Company was as follows: to distribute cash dividend of RMB12.00 (tax inclusive) for every 10 shares to all Shareholders and to issue 3 bonus 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 719,050,240 shares as at 31 December 2018. If the total share capital of the Company changes during the period from the promulgation to implementation of the 2018 annual profit distribution plan, the aggregate distribution would be adjusted based on the total share capital as at the registration date of shareholding as determined by implementation of the 2018 annual profit distribution plan, with the distribution ratio unchanged.

Cash Dividend Distribution for Ordinary Shares of the Company in the Latest Three Years (including the Year)

							<i>Unit: RMB</i>
							Percentage of total amount of cash dividends (including the amount distributed by other means) to net profit attributable to the ordinary shareholders of the Company as stated in the consolidated financial statements
Distribution year	Cash dividend amount (tax inclusive)	Net profit attributable to shareholders of the Company as stated in the consolidated financial statements for the Year	Percentage of cash dividend amount to net profit attributable to shareholders of the Company as stated in the consolidated financial statements	Cash dividend amount distributed by other means (including repurchase of shares)	Percentage of cash dividend amount distributed by other means to net profit attributable to the shareholders of the Company as stated in the consolidated financial statements	Total amount of cash dividends (including the amount distributed by other means)	
2020 (Proposed)	1,165,141,235.00	1,714,910,390.36	67.94%	250,061,413.16	14.58%	1,415,202,648.16	82.52%
2019	1,074,977,042.27	1,302,875,440.93	82.51%	–	–	1,074,977,042.27	82.51%
2018	862,857,854.40	1,082,174,905.98	79.73%	–	–	862,857,854.40	79.73%

Note: The amount of 2020 cash dividends (tax inclusive) in the above table is calculated based on the total share capital of the Company of 932,112,988 (which was the number of the total share capital of the Company as at 31 December 2020 less the number of the repurchased A Shares and H Shares).

Earnings of the Company and profits available for distribution to ordinary shareholders of the parent Company during the Year are positive, but no cash dividend distribution plan for ordinary shares is proposed

☐ Applicable ☒ Not applicable

II. PROPOSALS ON PROFIT DISTRIBUTION AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL DURING THE YEAR

✓ Applicable ☐ Not applicable

Bonus shares for every 10 shares (shares)	0
Dividends for every 10 shares (RMB) (tax inclusive)	12.50
Conversion shares for every 10 shares (shares)	0
Share capital basis for proposed distribution (shares)	932,112,988
Total amount of cash dividends (RMB) (tax inclusive)	1,165,141,235.00
Amount of cash dividends distributed by other means (such as repurchase of shares) (RMB)	250,061,413.16
Total amount of cash dividends (including the amount distributed by other means) (RMB)	1,415,202,648.16
Distributable profit (RMB)	1,714,910,390.36
Percentage of total amount of cash dividends (including the amount distributed by other means) to total amount of profit distribution	100%

Cash dividends for current year

The annual profit distribution plan of the Company for the Year: it is expected to distribute cash dividend of 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 has complied with the requirement of "If the Company is at the mature stage of development and has no significant capital expenditure plan, the proportion of cash dividends shall be at least 80% in the profit distribution" under the Articles of Association.

Particulars of Proposal on Profit Distribution or Conversion of Capital Reserves

Nil

III. FULFILLMENT OF UNDERTAKINGS

Undertakings Fulfilled during the Year or Not Yet Fulfilled as at the End of the Year by the Company, Shareholders, the de facto Controller, Purchaser, Directors, Supervisors, Senior Management or Other Related Parties

✓ Applicable ☐ Not applicable

Subject of undertakings	Covenantor	Type of undertakings	Details of undertakings	Date of undertakings	Period of undertakings	Status of fulfillment
Undertakings for share restructuring	-	-	-	-	-	-
Undertakings in acquisition reports or report on changes in equity	-	-	-	-	-	-
Undertakings during asset reorganization	-	-	-	-	-	-

III. FULFILLMENT OF UNDERTAKINGS *(continued)*

Undertakings Fulfilled during the Year or Not Yet Fulfilled as at the End of the Year by the Company, Shareholders, the de facto Controller, Purchaser, Directors, Supervisors, Senior Management or Other Related Parties *(continued)*

Subject of undertakings	Covenantor	Type of undertakings	Details of undertakings	Date of undertakings	Period of undertakings	Status of fulfillment
Undertakings during B-to-H Share Conversion of the Company	Baiyeyuan, Joincare and Mr. Zhu Baoguo and Ms. Liu Guangxia (person acting in- concert) (collectively referred to as the "Covenantors" hereinafter)	Other undertakings	Regarding the change of listing place of the Company's domestically listed foreign shares and the listing and trading of such shares on the Main Board of the Hong Kong Stock Exchange by way of introduction (hereinafter referred to as the "B-to-H Share Conversion"), the Covenantors made the non-competition undertakings as follows: 1. Subject to Articles 2 and 3 below, the Covenantors together with the companies and individuals controlled by them will not, at present or in the future, engage in businesses in any form which may, directly or indirectly, constitute competition or potential competition with the pharmaceutical research, development, production and sale businesses of Livzon Group from time to time (hereinafter referred to as the "Restricted Businesses"). 2. Upon discovering any new business opportunities which constitute competition with the Restricted Businesses, the Covenantors together with the companies and individuals controlled by them shall immediately notify the Company in writing and offer such business opportunities to Livzon Group in first priority on reasonable and fair terms and conditions. If Livzon Group waives such business opportunities, the Covenantors together with the companies and individuals controlled by them may accept such business opportunities on terms and conditions no more favourable than those made available to Livzon Group. 3. As long as the Covenantors together with the companies and individuals controlled by them intend to transfer, dispose of, lease, license, or otherwise transfer or license such assets and businesses which may, directly or indirectly, constitute competition or potential competition with the Restricted Businesses (hereinafter referred to as the "Disposals and Transfers"), the Covenantors together with the companies and individuals controlled by them shall provide preemptive rights to Livzon Group on equivalent terms. If Livzon Group waives such pre-emptive rights, the Covenantors together with the companies and individuals controlled by them may offer the Disposals and Transfers to other third parties with major terms not more favourable than those made available to Livzon Group. 4. The Covenantors together with the companies and individuals controlled by them will not engage in or take part in any business which may harm the interests of Livzon Group and other shareholders by utilizing their relationship with the shareholders of Livzon Group or their capacity as shareholders of Livzon Group.	10 January 2014	Long-term	In the process of fulfillment

III. FULFILLMENT OF UNDERTAKINGS *(continued)*

Undertakings Fulfilled during the Year or Not Yet Fulfilled as at the End of the Year by the Company, Shareholders, the de facto Controller, Purchaser, Directors, Supervisors, Senior Management or Other Related Parties *(continued)*

Subject of undertakings	Covenantor	Type of undertakings	Details of undertakings	Date of undertakings	Period of undertakings	Status of fulfillment
			5. The Covenantors together with the companies and individuals controlled by them will not, directly or indirectly, a) at any time induce or attempt to induce any directors, senior management or consultants of any members of Livzon Group to cease to be employed by Livzon Group or cease to be employees or consultants of Livzon Group (as appropriate), irrespective of whether such persons' act would breach his employment contract or consultancy contract (as appropriate); or b) employ any person within three years after he/she ceases to be a director, senior management or consultant of any member of Livzon Group (other than those who serve as the directors, senior management or consultants of the Company and/or its subsidiaries (excluding Livzon Group) on the date of issuing this letter of undertaking), as such person has or may have any confidential information or trade secrets relating to the Restricted Businesses; or c) alone or jointly with any other persons, through or as a manager, adviser, consultant, employee or agent or shareholder of any person, firm or company that competes with any member of Livzon Group, canvass, or solicit or accept orders from or do business with any persons with whom any member of Livzon Group has done business or solicit or persuade any person who has dealt with Livzon Group or is in the process of negotiating with Livzon Group in relation to the Restricted Businesses to cease to deal with Livzon Group or reduce the amount of business which the person would normally do with Livzon Group or seek more favorable trade terms from any member of Livzon Group. 6. The Covenantors and their subsidiaries further undertake: a) the Covenantors and their subsidiaries (excluding Livzon Group) allow and procure relevant associates (excluding Livzon Group) to allow the independent directors of Livzon Group to review at least once each year the compliance of this letter of undertaking by the Covenantors and their subsidiaries (excluding the Group); b) the Covenantors and their subsidiaries (excluding Livzon Group) shall provide all necessary data for the independent directors of Livzon Group to conduct the annual review of the execution of this letter of undertaking; c) Livzon Group is allowed to disclose in its annual reports or announcements of the decisions concerning the compliance and execution of this letter of undertaking by the Covenantors and their subsidiaries (excluding Livzon Group), when reviewed by independent directors of the Company; d) the Covenantors (and on behalf of their subsidiaries excluding the Group) shall provide annual confirmation in respect of the compliance of the terms of this letter of undertaking for inclusion into annual reports of Livzon Group.			

SECTION V. MAJOR EVENTS

III. FULFILLMENT OF UNDERTAKINGS *(continued)*

Undertakings Fulfilled during the Year or Not Yet Fulfilled as at the End of the Year by the Company, Shareholders, the de facto Controller, Purchaser, Directors, Supervisors, Senior Management or Other Related Parties *(continued)*

Subject of undertakings	Covenantor	Type of undertakings	Details of undertakings	Date of undertakings	Period of undertakings	Status of fulfillment
			7. Commencing from the date of issuing the relevant letter of undertaking, the Covenantors undertake that they shall bear related legal responsibilities and consequences arising from the breach of any terms in the relevant letter of undertaking by the Covenantors (or their subsidiaries excluding Livzon Group, or their associate(s)). 8. The above undertakings shall terminate upon occurrence of the following events (whichever is the earliest): a) the Covenantors and any of their subsidiaries cease to be controlling shareholders of Livzon Group; b) The shares of the Company are no longer listed on the Hong Kong Stock Exchange and other stock exchange overseas (save as suspension of trading of the shares of Livzon Group due to any reason(s)).			
Undertakings made during the implementation of the non-public issuance of A Shares	Joincare and Mr. Zhu Baoguo	Other undertakings	The Covenantors undertake not to intervene in the Company's business management activities and not to infringe upon the Company's interest.	8 March 2016	Up to the completion date of the execution of the remedial measures of this non-public issuance	In the process of fulfillment
	Zhu Baoguo, Tao Desheng, Yang Daihong, Fu Daotian, Qiu Qingfeng, Zhong Shan, Xu Yanjun, Guo Guoqing, Wang Xiaojun, Zheng Zhihua, Xie Yun, Xu Guoxiang, Lu Wenqi, Si Yanxia and Yang Liang	Other undertakings	1. Undertake not to transfer benefits to other units or individuals at nil consideration or on unfair conditions, nor to damage the interests of the Company by other means. 2. Undertake to impose restrictions on the spending of directors and senior management in performing their duties. 3. Undertake not to apply any assets of the Company for investments and consumption activities that are irrelevant to the performance of their duties. 4. Undertake that the remuneration system set up by the Board or the remuneration committee will be linked with the implementation of the remedial measures for returns of the Company. 5. Undertake that, if the Company subsequently launches a share incentive scheme, the conditions for exercising the right in respect of the prospective share incentive scheme will be linked with the implementation of the remedial measures for returns of the Company.	8 March 2016	Up to the completion date of the execution of the remedial measures of this non-public issuance	In the process of fulfillment

III. FULFILLMENT OF UNDERTAKINGS *(continued)*

Undertakings Fulfilled during the Year or Not Yet Fulfilled as at the End of the Year by the Company, Shareholders, the de facto Controller, Purchaser, Directors, Supervisors, Senior Management or Other Related Parties *(continued)*

Subject of undertakings	Covenantor	Type of undertakings	Details of undertakings	Date of undertakings	Period of undertakings	Status of fulfillment
	The Company	Other undertakings	The Company will strictly comply with laws and regulations, such as the Company Law, the Securities Law and the Administrative Measures on the Issuance of Securities of Listed Companies, and the requirements of the CSRC. The Company also undertakes that, from the listing date of the new shares under the non-public issuance: 1. The Company shall publish periodic reports and disclose all information having material impact on investors in a true, accurate, complete, fair and timely manner, and be monitored and administered by the CSRC and the Shenzhen Stock Exchange; 2. The Company shall make public clarification on a timely basis once noticing any news that may have misleading impact on the share price from mass media; 3. The directors, supervisors and senior management of the Company shall take full consideration of opinions and recommendations from the public, and shall not be directly or indirectly engaged in the trading of the Company's shares by taking advantage of inside information and by other inappropriate means. The Company guarantees that there is no false statement or any material omission in the documents submitted to the Shenzhen Stock Exchange, and shall not disclose relevant information without permission of the Shenzhen Stock Exchange during the period of listing application.	19 September 2016	Long-term	In the process of fulfillment

III. FULFILLMENT OF UNDERTAKINGS *(continued)*

Undertakings Fulfilled during the Year or Not Yet Fulfilled as at the End of the Year by the Company, Shareholders, the de facto Controller, Purchaser, Directors, Supervisors, Senior Management or Other Related Parties *(continued)*

Subject of undertakings	Covenantor	Type of undertakings	Details of undertakings	Date of undertakings	Period of undertakings	Status of fulfillment
Equity incentive undertakings	-	-	-	-	-	-
Other undertakings to minority Shareholders of the Company	Joincare	Undertaking for decrease in shareholding	Joincare, the Company's controlling shareholder, has made undertakings during the elimination of selling restrictions of shares subject to selling restrictions. Details are as follows: 1. Joincare shall strictly follow relevant provisions of the Guiding Opinions on Transfer of Shares subject to Selling Restrictions by Listed Companies (2008 No. 15 notice) issued by the China Securities Regulatory Commission when transferring Livzon Group's shares subject to selling restrictions held by it. 2. If Joincare plans to dispose of the released tradable shares held by it through the bidding system of stock exchanges and its reduced shareholding amounts to 5% and more within 6 months from its first reduction date, it will make an indicative announcement through Livzon Group within two trading days prior to the first reduction of shareholding.	17 December 2008	Long-term	During the Year, the covenants fulfilled their undertakings in good faith.
Fulfillment of undertakings on time	Yes					
If undertakings are not fulfilled within the stated timeframe, reasons for not fulfilling the undertakings and future plans (if any) should be explained in detail	Not applicable					

If the Company has made profit forecast on its assets or projects and the Year is still within the profit forecast period, the Company shall give an explanation on why its assets or projects achieved its profit forecast

☐ Applicable ☒ Not applicable

IV. MATERIAL LITIGATION AND ARBITRATION

☐ Applicable ☒ Not applicable

During the Year, there was no material litigation and arbitration matters.

V. QUESTIONING FROM MEDIA

☐ Applicable ☒ Not applicable

VI. MATTERS RELATED TO BANKRUPTCY REORGANIZATION

☐ Applicable ☒ Not applicable

During the Year, no matters related to bankruptcy reorganization occurred in the Company.

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

☐ Applicable ☒ Not applicable

During the Year, there is no non-operating use of funds of the listed company by controlling shareholders of the Company and their related parties.

VIII. EXPLANATIONS GIVEN BY THE BOARD OF DIRECTORS, THE SUPERVISORY COMMITTEE AND INDEPENDENT DIRECTORS (IF ANY) ON THE ISSUANCE OF A "NON-STANDARD AUDITOR'S REPORT" BY THE ACCOUNTING FIRM

☐ Applicable ☒ Not applicable

During the Year, no explanations shall be given by the Supervisory Committee and the independent Directors as no "Non-standard Auditors' Report" was issued by the accounting firm.

IX. EXPLANATIONS ON CORRECTION OF MATERIAL ACCOUNTING ERRORS THAT REQUIRE RETROSPECTIVE ADJUSTMENTS DURING THE YEAR

☐ Applicable ☒ Not applicable

SECTION V. MAJOR EVENTS

X. EXPLANATION ON CHANGES IN THE SCOPE OF CONSOLIDATION IN COMPARISON WITH FINANCIAL REPORT FOR THE PREVIOUS YEAR

✓ Applicable ☐ Not applicable

During the Year, the scope of consolidation financial statements of the Company increased by one controlling subsidiary and decreased by two controlling subsidiaries, details of which are as follows:

The Company transferred its 30% equity interest in Livzon Gene to Zhuhai Hengqin New Area Guanlian Gu Investment Partnership (珠海橫琴新區觀聯谷投資合夥企業) and Zhuhai Sanmed, respectively, on 1 June 2020, and the Company ceased to control Livzon Gene after completion of the transfer;

Livzon Diagnostics established Zhuhai Liheng Medical Diagnostic Products Co., Ltd. (珠海立恒醫療診斷產品有限公司), which has a registered capital of RMB15.00 million, on 3 June 2020, and is interested in 100% of its registered capital;

Wenshan Livzon Sanqi Plantation Co., Ltd. (文山麗珠三七種植有限公司) completed deregistration on 12 June 2020.

XI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Accounting firm (auditors) currently appointed and their remuneration

On 25 May 2020, after consideration and approval by the 2019 annual general meeting of the Company, consent was granted to renew the appointment of Grant Thornton (Special General Partnership) as the auditor of the Company for the year 2020. As at the end of the Year, Grant Thornton (Special General Partnership) provided to the Group (i) non-annual audit services for the year 2020 at the remuneration of RMB355,000 (tax inclusive), which included review of half-yearly financial statements, capital verification report, etc., and (ii) annual audit services for the year 2020 at the remuneration of RMB2,000,000 (tax inclusive), which included remuneration for auditing the financial statements for the year 2020 and remuneration for internal control audit).

Name of domestic accounting firm	Grant Thornton (Special General Partnership)
Remuneration for domestic accounting firm (RMB0'000)	Remuneration for auditing the financial statements for the year 2020 was RMB1,640,000 (tax inclusive) and remuneration for internal control auditing was RMB360,000 (tax inclusive)
Continuous years of auditing services provided by domestic accounting firm	2 years
Names of certified public accountants of domestic accounting firm	Li Encheng (李恩成), Zhang Fang (張芳)
Continuous years of auditing services provided by certified public accountants of domestic accounting firm	2 years, 4 years
Name of overseas accounting firm (if any)	Not applicable
Remuneration for overseas accounting firm (RMB0'000) (if any)	Not applicable
Continuous years of auditing services provided by overseas accounting firm (if any)	Not applicable
Names of certified public accountants of overseas accounting firm (if any)	Not applicable
Continuous years of auditing services provided by certified public accountants of overseas accounting firm (if any)	Not applicable

XI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM *(Continued)***Accounting firm (auditors) currently appointed and their remuneration** *(Continued)*

Declaration of responsibilities borne by Grant Thornton (Special General Partnership) for financial reporting of the Company is set out in the "Auditor's Report" in Section XII of the Report.

Whether there was a change of accounting firm during the Year

☐ Yes ☒ No

Whether there was a change of accounting firm during the auditing period

☐ Yes ☒ No

Whether approval procedures concerning the change of accounting firm was completed

☐ Yes ☒ No

Appointment of accounting firm responsible for internal control auditing, financial advisor or sponsor

☒ Applicable ☐ Not applicable

During the Year, the Company appointed Grant Thornton (Special General Partnership) as the internal control auditor of the Company with remuneration for audit services amounting to RMB360,000 (tax inclusive).

XII. PUNISHMENT AND RECTIFICATION

☐ Applicable ☒ Not applicable

During the Year, the Company was not subject to significant punishment or rectification.

XIII. SUSPENSION AND TERMINATION OF LISTING AFTER DISCLOSURE OF ANNUAL REPORT

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

Neither the Company nor its controlling Shareholders or de facto controller has/have failed to comply with effective court rulings or has any outstanding debt of large value past due.

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

1. Connected Transactions in the Ordinary Course of Business

✓ Applicable ☐ Not applicable

Connected person	Connected relationship	Type of connected transaction	Details of connected transaction	Pricing principle of connected transaction	Amount of connected transaction (RMB'000)	Percentage in the amount of similar transactions	Exceeded the approved amount	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	Purchase of raw materials	By negotiation based on market price	3,280.54	1.29%	No	Settlement through banks
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Purchase of raw materials	By negotiation based on market price	25,690.52	10.13%	No	Settlement through banks
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Purchase of goods	Purchase of finished goods	By negotiation based on market price	52.65	0.02%	No	Settlement through banks
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱製藥有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Purchase of raw materials	By negotiation based on market price	781.27	0.31%	No	Settlement through banks
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Associate	Purchase of goods	Purchase of raw materials	By negotiation based on market price	393.89	0.16%	No	Settlement through banks
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Associate	Purchase of goods	Purchase of finished goods	By negotiation based on market price	18.41	0.01%	No	Settlement through banks
Zhuhai Medpha Biotechnology Co., Ltd. (珠海麥得發生物科技股份有限公司)	Company in which senior management of the Company held a position	Purchase of goods	Purchase of raw materials	By negotiation based on market price	2.71	0.00%	No	Settlement through banks
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Receipt of R&D services	By negotiation based on market price	935.00	3.29%	No	Settlement through banks
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Water, electricity and power, etc.	By negotiation based on market price	1,984.42	6.97%	No	Settlement through banks
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	Associate	Receipt of services	Testing	By negotiation based on market price	5.24	0.02%	No	Settlement through banks
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Sale of finished products	By negotiation based on market price	82.92	0.01%	No	Settlement through banks
Joicare Haibin Pharmaceutical Co., Ltd. (健康元海濱製藥有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Sale of finished products	By negotiation based on market price	62.52	0.01%	No	Settlement through banks
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Sale of finished products	By negotiation based on market price	69.54	0.01%	No	Settlement through banks
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Sale of goods	Sale of finished products	By negotiation based on market price	1.14	0.00%	No	Settlement through banks
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Sale of finished products	By negotiation based on market price	14.34	0.00%	No	Settlement through banks

XV. SUBSTANTIAL CONNECTED TRANSACTIONS DISCLOSED PURSUANT TO THE SHENZHEN LISTING RULES *(Continued)*

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

Connected person	Connected relationship	Type of connected transaction	Details of connected transaction	Pricing principle of connected transaction	Amount of connected transaction (RMB'000)	Percentage in the amount of similar transactions	Exceeded the approved amount	Settlement method of connected transaction
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Associate	Sale of goods	Sale of finished products	By negotiation based on market price	3,492.96	0.33%	No	Settlement through banks
Zuhai Medgha Biotechnology Co., Ltd. (珠海麥得發生物科技股份有限公司)	Company in which senior management of the Company held a position	Sales of goods	Sale of high molecular materials	By negotiation based on market price	20.97	0.00%	No	Settlement through banks
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	Associate	Sales of goods	Sale of finished products	By negotiation based on market price	6.34	0.00%	No	Settlement through banks
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Provision of services	Processing and testing	By negotiation based on market price	24.87	1.07%	No	Settlement through banks
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Provision of services	Processing	By negotiation based on market price	1,075.44	46.40%	No	Settlement through banks
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Subsidiary of the controlling shareholder	Provision of services	Testing	By negotiation based on market price	1.32	0.06%	No	Settlement through banks
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Associate	Provision of services	Water, electricity and power	By negotiation based on market price	665.53	28.71%	No	Settlement through banks
Zuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Associate	Provision of services	Water, electricity and power	By negotiation based on market price	133.80	5.77%	No	Settlement through banks
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	Associate	Provision of services	Water, electricity and power, property services	By negotiation based on market price	36.50	1.57%	No	Settlement through banks
Zuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Associate	Leasing of assets as a lessor	Leasing of offices	By negotiation based on market price	306.71	34.05%	No	Settlement through banks
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	Associate	Leasing of assets as a lessor	Leasing of offices	By negotiation based on market price	14.00	1.55%	No	Settlement through banks
Health Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	Leasing of offices	By negotiation based on market price	9.17	1.02%	No	Settlement through banks
Topsino Industries Limited (天誠實業有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	Leasing of offices	By negotiation based on market price	2.63	0.29%	No	Settlement through banks
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Leasing of assets as a lessee	Leasing of offices	By negotiation based on market price	77.96	5.00%	No	Settlement through banks
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessee	Leasing of offices and equipment	By negotiation based on market price	264.34	16.95%	No	Settlement through banks
Total					39,507.65	-	-	-

SECTION V. MAJOR EVENTS

XV. SUBSTANTIAL CONNECTED TRANSACTIONS DISCLOSED PURSUANT TO THE SHENZHEN LISTING RULES *(Continued)*1. Connected Transactions in the Ordinary Course of Business *(Continued)*

Connected person	Connected relationship	Type of connected transaction	Details of connected transaction	Pricing principle of connected transaction	Amount of connected transaction (RMB'000)	Percentage in the amount of similar transactions	Exceeded the approved amount	Settlement method of connected transaction
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 Year, the total amount of the connected transactions actually conducted by the Group in the ordinary course of business was RMB395.0765 million. Among which, the connected transactions actually conducted in the ordinary course of business with Joincare, the controlling shareholder of the Company, and its subsidiaries amounted to approximately RMB344.1059 million, representing 64.89% of the estimated amount (RMB530.3048 million) approved by the general meeting of the Company, the Board and the operating management; the connected transactions actually conducted in the ordinary course of business with Blue Treasure Pharma amounted to approximately RMB45.5238 million, representing 67.32% of the estimated amount (RMB67.6201 million) approved by the Board and the operating management of the Company; the connected transactions conducted in the ordinary course of business with Zhuhai Sanmed amounted to RMB4.5892 million, representing 62.02% of the estimated amount (RMB7.3994 million) approved by the Board; the connected transactions conducted in the ordinary course of business with Zhuhai Medpha Biotechnology Co., Ltd. (珠海麥得發生物科技股份有限公司) amounted to RMB0.2368 million, representing 15.48% of the estimated amount (RMB1.53 million) approved by the Board and the operating management of the Company; the connected transactions conducted in the ordinary course of business with Livzon Gene amounted to RMB0.6208 million, representing 66.75% of the estimated amount (RMB0.93 million) approved by the operating management of the Company. The above connected transactions have not exceeded the approved estimated amount.					
Reason for the significant difference between the transaction price and the reference market price (if applicable)	Not applicable							

Note: 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 Performance of Daily Connected Transactions for 2019 and Projected Daily Connected Transactions for 2020 of Livzon Pharmaceutical Group Inc. (Announcement No.: 2020-029) dated 17 August 2019, 16 October 2019 and 31 March 2020, respectively.

XV. 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

Connected person	Connected relationship	Type of connected transaction	Details of connected transaction	Pricing principle of connected transaction	Carrying amount of transferred asset (RMB'000)	Assessed value of transferred asset (RMB'000)	Transfer price (RMB'000)	Settlement method of connected transaction	Profit or loss of transaction (RMB'000)	Date of disclosure	Index of disclosure
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Associate	Disposal of equity	Disposal of 10% equity interest in Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	Pricing by negotiation	234.72	-	500.00	Settlement through banks	265.28	N/A	N/A
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Associate	Disposal of equity	Disposal of 30% equity interest in Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	Pricing by negotiation	1,377.10	-	1,500.00	Settlement through banks	122.90	N/A	N/A
Reason for significant difference between the transfer consideration and carrying amount or assessed value (if any)				Not applicable							
Effect on operating results and financial position of the Company				There is no significant effect on the operating results and financial position of the Company							

Note: The Company had also transferred its 20% equity interest in Livzon Gene to Zhuhai Hengqin New Area Guanlian Gu Investment Partnership (Limited Partnership) (珠海橫琴新區觀聯穀投資合夥企業 (有限合夥)) based on the same pricing principle.

3. Connected Transactions on Joint External Investment

✓ Applicable ☐ Not applicable

Co-investor	Connected relationship	Name of the investee	Principal business of the investee	Registered capital of the investee (RMB'000)	Total assets of the investee (RMB'000)	Net assets of the investee (RMB'000)	Net profit of the investee (RMB'000)
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. *(焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Henan Province Joicare Biopharmaceutical Research Institute Co., Ltd.* (河南省健康元生物醫藥研究院有限公司)	Production of pharmaceuticals, production of veterinary drugs.	10,000.00	4,491.46	4,489.21	-10.79
Progress of the significant projects under construction of the investee (if any)			Not applicable				

For details, please refer to "XVI. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES" in Section V of this Report for relevant information.

SECTION V. MAJOR EVENTS

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

4. Credits and Debts with Connected Persons

✓ Applicable ☐ Not applicable

Non-operating credits and debts with connected persons

✓ Yes ☐ No

Credits due from connected persons

Connected person	Connected relationship	Reason for occurrence	Non-operating use of funds	Balance at the Beginning of the Year (RMB'000)	Amount increased for the Year (RMB'000)	Amount recovered for the Year (RMB'000)	Interest rate	Interest for the Year (RMB'000)	Balance at the End of the Year (RMB'000)
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Associate	Sale of finished goods, provision of services	No	1,499.05	4,698.40	5,688.15	-	-	509.30
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	41.59	17.60	42.99	-	-	16.20
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Sale of finished goods	No	12.68	44.81	57.49	-	-	-
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Associate	Sale of finished goods, prepayment for equipment, etc.	No	166.54	475.97	621.39	-	-	21.12
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 finished goods	No	-	78.58	78.58	-	-	-
AbCyte Therapeutics Inc.	Associate	Purchase of technical know-how	No	1,428.79	-	1,428.79	-	-	-
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	46.13	1,606.17	717.06	-	-	935.24
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱製藥有限公司)	Subsidiary of the controlling shareholder	Transfer of assets	No	60.00	-	60.00	-	-	-
Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥))	Enterprise controlled by the Director of the Company	Transfer of equity	No	2,131.45	65.32	1,100.00	-	-	1,096.77
Zhuhai Liying Investment Management Partnership(Limited Partnership) (珠海麗英投資管理合夥企業(有限合夥))	Enterprise controlled by the Director of the Company	Transfer of equity	No	701.09	-	701.09	-	-	-
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Provision of services	No	14.62	27.44	34.62	-	-	7.44
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	Associate	Sale of finished goods, provision of services	No	-	62.85	57.94	-	-	4.91
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱製藥有限公司)	Subsidiary of the controlling shareholder	Sale of finished goods	No	-	70.65	70.65	-	-	-
Health Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	No	-	9.99	9.99	-	-	-
Topsino Industries Limited (天誠實業有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	No	-	2.63	2.63	-	-	-
Zhuhai Medpha Biotechnology Co., Ltd. (珠海麥得發生物科技股份有限公司)	Company in which senior management of the Company held a position	Sale of high molecular materials	No	-	23.70	23.70	-	-	-
Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Subsidiary of a company in which a Director of the Company held a position	Prepayment of products	No	-	15.39	-	-	-	15.39
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Associate	Transfer of equity	No	-	2,000.00	500.00	-	-	1,500.00
L&L Biopharma, Co. Ltd. (上海健信生物醫藥科技有限公司)	Associate	Prepayment of R&D technology	No	-	174.10	-	-	-	174.10

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

The above credits due from connected persons mainly arose in the ordinary course of business of the Company. There is no significant effect on the operating results and financial position of the Company.

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

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

Debts payable to connected persons

Connected persons	Connected relationship	Reason for occurrence	Balance at the Beginning of the Year (RMB'000)	Amount increased for the Year (RMB'000)	Amount repaid for the Year (RMB'000)	Interest rate	Interest for the Year (RMB'000)	Balance at the End of the Year (RMB'000)
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Associate	Purchase of raw materials	10.86	455.95	466.81	-	-	-
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	2,628.12	4,912.97	6,335.13	-	-	1,205.96
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Purchase of raw materials	20,271.55	29,030.27	32,850.48	-	-	16,451.34
Jiaozuo Joincare 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, etc.	710.67	2,539.38	2,680.49	-	-	569.56
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Associate	Purchase of equipment	92.00	19.58	111.58	-	-	-
Zhuhai Zhenghe Co., Ltd. (珠海正禾企業有限公司)	Enterprise controlled by the director of a subsidiary of the Company	Dividends payable	8,176.09	-	8,176.09	-	-	-
Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥))	Enterprise controlled by the Director of the Company	Dividends payable	146.66	-	-	-	-	146.66
Topsino Industries Limited (天誠實業有限公司)	Subsidiary of the controlling shareholder	Dividends payable	-	1,869.27	1,869.27	-	-	-
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	-	935.00	935.00	-	-	-
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	Subsidiary of the controlling shareholder	Purchase of raw materials	-	882.83	-	-	-	882.83
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	Associate	Receipt of services	-	5.56	5.56	-	-	-
Zhuhai Medpha Biotechnology Co., Ltd. (珠海麥得發生物科技股份有限公司)	Company in which senior management of the Company held a position	Purchase of raw materials	-	3.06	3.06	-	-	-
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Purchase of finished goods	-	89.83	89.83	-	-	-

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

The above debts payable to connected persons mainly arose in 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 "Connected Transactions Defined Pursuant to Hong Kong Listing Rules" in Section V of the Report. Save for the above, the Group had no other major connected transactions during the Year.

SECTION V. MAJOR EVENTS

XVI. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES

1. One-off Connected Transactions

Provision of Guarantees for Livzon MAB

Reference is made to the circulars dated 29 April 2020 and 24 November 2020 of the Company published on Company's website and HKExnews.

The Company convened a Board meeting on 8 April 2020 to consider and approve the provision of joint liability guarantees to eight banks by the Company for Livzon MAB (in which the Company indirectly holds 55.13% equity interest) in its applications for financing facilities up to a total of RMB810,000,000 or equivalent foreign currencies (the "Original Livzon MAB Guarantees").

Pursuant to the Shenzhen Listing Rules and the Articles of Association, since the total amount of the Original Livzon MAB Guarantees represents approximately 7.25% of the Company's latest audited net assets attributable to the parent company (RMB11,166.7524 million), therefore the Original Livzon MAB Guarantees were subject to consideration and approval at the shareholders' general meeting of the Company. The Original Livzon MAB Guarantees have been considered and approved by the 2019 annual general meeting of the Company on 25 May 2020.

In view of the needs of business development of Livzon MAB, Livzon MAB intended to adjust its cap of facility financing to RMB900,000,000. Therefore, on 16 November 2020, the Board considered and approved the provision of joint liability guarantees to the six banks for Livzon MAB's applications of facility financing of no more than RMB900,000,000 or its equivalent in foreign currencies (the "New Livzon MAB Guarantees", together with the Original Livzon MAB Guarantees, collectively known as the "Livzon MAB Guarantees"). Since this adjustment to the cap had altered the Original Livzon MAB Guarantees, therefore the New Livzon MAB Guarantees were required to be submitted to the general meeting of the Company for consideration and approval. The New Livzon MAB Guarantees have been considered and approved at the 2020 fifth extraordinary general meeting of the Company held on 11 December 2020, while the Original Livzon MAB Guarantees had lapsed at the same time.

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

1. One-off Connected Transactions *(continued)*

Provision of Guarantees for Livzon MAB *(continued)*

To ensure the fairness and equivalence of the Livzon MAB Guarantees, Joicare (which indirectly holds 35.75% equity interest in Livzon MAB), upon approval by its shareholders, provided the Company with a “Letter of Undertaking for Counter Guarantee” pursuant to which it has undertaken to provide a counter guarantee in proportion to its shareholdings in Livzon MAB and the guarantee period will expire on the expiry date of the Company’s obligation under the Livzon MAB Guarantees.

As at 8 April 2020 and 16 November 2020, Joicare directly and indirectly held approximately 44.77% and 44.37% equity interest, respectively, in the total issued share capital of the Company, and Livzon MAB is indirectly held as to 35.75% by Joicare. Therefore, Livzon MAB, an associate of Joicare, is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. As such, the Livzon MAB Guarantees constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios in respect of the Livzon MAB Guarantees exceed 0.1% but are less than 5%, the Livzon MAB Guarantees are subject to the reporting and announcement requirements, but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The provision of the Livzon MAB Guarantees will facilitate the daily operation and business of Livzon MAB, alleviate the requirement for the Company to contribute capital in Livzon MAB and optimize the Company’s allocation of funds to other profitable business segments, which will benefit the Company and in turn promote the overall business development and consolidate the financial position of the Group.

On 20 March 2020 and 17 July 2020, the Company signed guarantee agreements with the Bank of Communications Co., Ltd. (“Bank of Communications”) and China Merchants Bank Co., Ltd. (“China Merchants Bank”) in the amounts of RMB50.00 million and RMB300.00 million, respectively, to secure the credit facility granted to Livzon MAB by Bank of Communications and China Merchants Bank.

Establishment of Joint Venture

Reference is made to the announcement dated 30 November 2020 published on Company’s website and HKExnews and the announcement dated 1 December 2020 published on Cninfo.

On 30 November 2020, after consideration and approval by the Board, Xinbeijiang Pharmaceutical entered into the Joint Investment Agreement with Jiaozuo Joicare, pursuant to which, Xinbeijiang Pharmaceutical and Jiaozuo Joicare agreed to establish a joint venture (the “Establishment of Joint Venture”) known as Henan Province Joicare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司) (“Henan Research Institute”) by way of investment in cash, and the registered capital of Henan Research Institute shall be RMB100.00 million, of which Xinbeijiang Pharmaceutical shall contribute capital of RMB49.00 million, representing 49%, and Jiaozuo Joicare shall contribute capital of RMB51.00 million, representing 51%.

The capital contribution to Henan Research Institute to be made by Xinbeijiang Pharmaceutical shall be settled by self-financed funds of Xinbeijiang Pharmaceutical. Upon completion of the Establishment of Joint Venture, Xinbeijiang Pharmaceutical will hold 49% equity interest in Henan Research Institute, and Henan Research Institute will not be included in the scope of consolidated financial statements of the Company. The board of directors of Henan Research Institute shall comprise three directors, of which one director shall be nominated by Xinbeijiang Pharmaceutical.

SECTION V. MAJOR EVENTS

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

1. One-off Connected Transactions *(continued)*

Establishment of Joint Venture *(continued)*

As at 30 November 2020, Joicare directly and indirectly held approximately 44.35% total issued share capital of the Company, and Jiaozuo Joicare was directly and indirectly held by Joicare as to 100.00% equity interest. Therefore, according to Chapter 14A of the Hong Kong Listing Rules, Jiaozuo Joicare (an associate of Joicare) is a connected person of the Company. Thus, the Establishment of Joint Venture constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As one or more applicable percentage ratios in respect of the Establishment of Joint Venture under the Joint Investment Agreement are higher than 0.1% but less than 5%, and the consideration for the Establishment of Joint Venture exceeds HK\$3,000,000, therefore the Establishment of Joint Venture under the Joint Investment Agreement shall be subject to reporting and announcement requirements, but is exempt from compliance with the requirement of approval by independent shareholders under Chapter 14A of the Hong Kong Listing Rules.

The purpose of the Establishment of Joint Venture is for gathering and enhancing the external resources of research and development talent and research and development capabilities, with focus on the innovative research and development of biopharmaceutical intermediates and high-end specialty APIs. The Establishment of Joint Venture will be conducive to promotion of the Company's research and development capabilities in APIs, formation of layout in new direction and new areas, and, in turn increasing the core competitiveness and sustainability strength of the Company.

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 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 ("YF") 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", together with Livzon HK and Livzon MAB, collectively known as the "Target Companies") have jointly entered into the reorganization framework agreement (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 (shown in the below pictures). The Reorganization comprises a number of transactions and arrangements, please refer to the Announcements and the Circular for details.

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

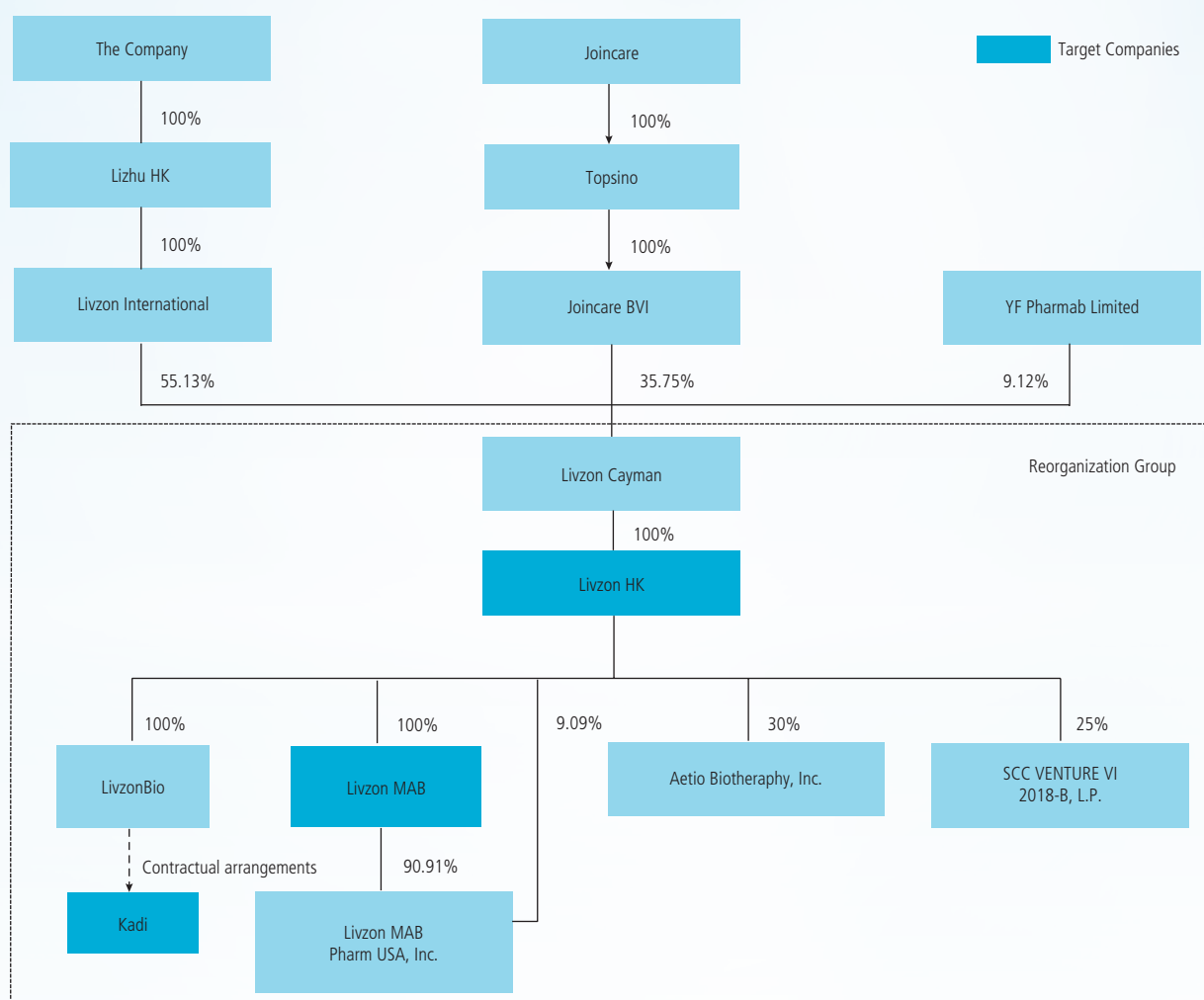
1. One-off Connected Transactions *(continued)*

Connected Transactions in Relation to Reorganization of Shareholding Structures of Controlling Subsidiaries *(continued)*

Corporate Structure Before and After the Reorganization

Before the Reorganization

- (a) Before any allotment and issuance of Livzon Cayman Shares upon exercise of share options under the Subsidiary Share Incentive Scheme[#]



[#] For details of the Subsidiary Share Option Scheme, please refer to "The Subsidiary Share Option Scheme" in Section IV of the Report for relevant information. The Subsidiary Share Option Scheme will be terminated upon the completion of subscription on the employee incentive platform of LivzonBio.

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

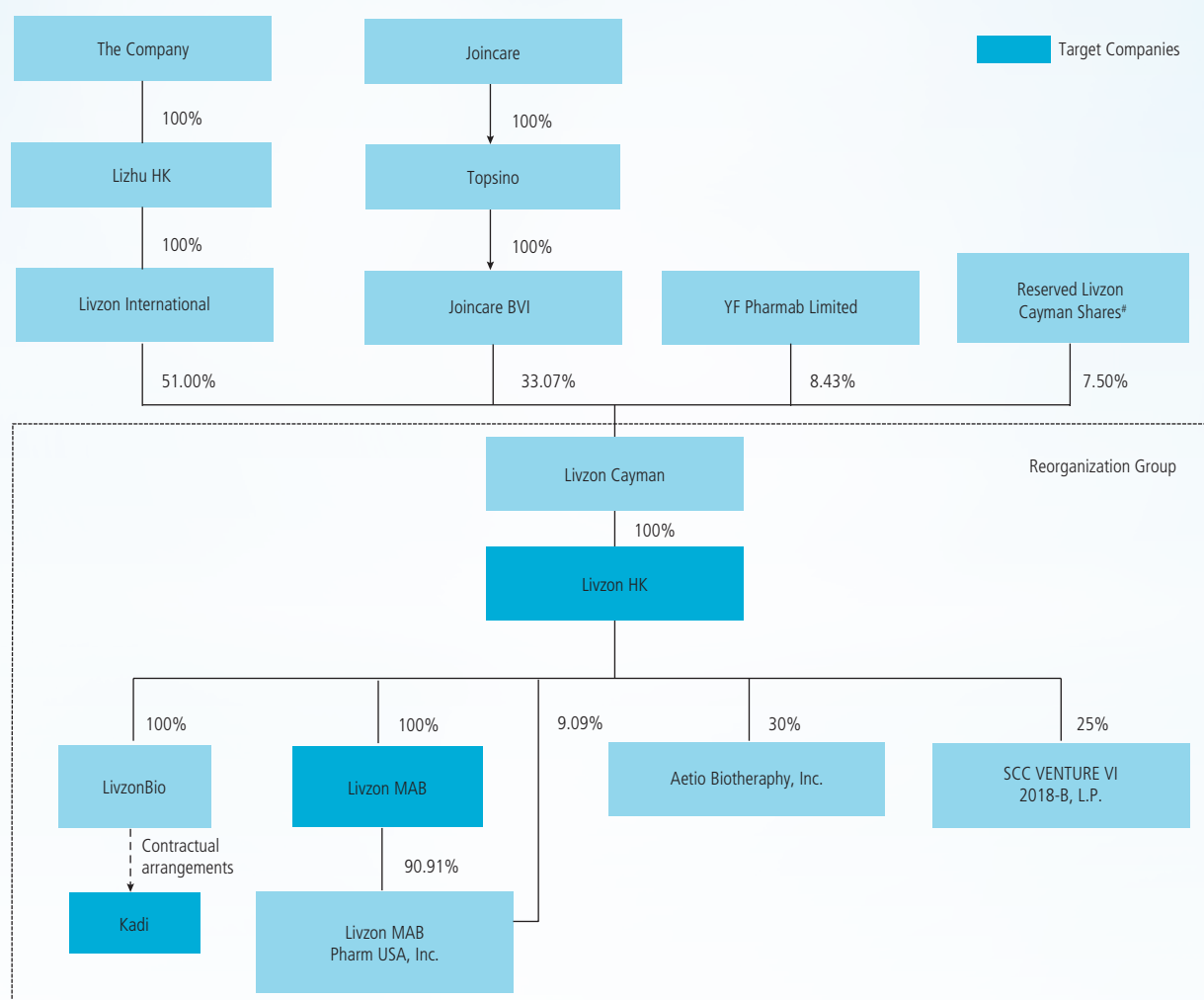
1. One-off Connected Transactions *(continued)*

Connected Transactions in Relation to Reorganization of Shareholding Structures of Controlling Subsidiaries *(continued)*

Corporate Structure Before and After the Reorganization *(continued)*

Before the Reorganization *(continued)*

- (b) After allotment and issuance of Livzon Cayman Shares upon exercise of all share options under the Subsidiary Share Incentive Scheme



Livzon Cayman Shares reserved to be allotted and issued upon exercise of all share options under the Subsidiary Share Incentive Scheme.

SECTION V. MAJOR EVENTS

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

1. One-off Connected Transactions *(continued)*

Connected Transactions in Relation to Reorganization of Shareholding Structures of Controlling Subsidiaries *(continued)*

The Reorganization will provide a more streamlined capital structure based on the respective principal businesses and main products of the subsidiaries involved, which will optimize the strategic positioning of different subsidiaries within the Group and accelerate efficiency of their business progresses. After completion of the Reorganization, LivzonBio will become the holding entity for the Target Companies and a subsidiary directly owned by the Company as to approximately 51.00%, Livzon Cayman will be deregistered and will cease to be a subsidiary of the Company after completion of the Reorganization.

Before and after the Reorganization, LivzonBio and Target Companies will continue to be the subsidiaries of the Company, and will be included in the scope of consolidated financial statements of the Company, therefore, the Reorganization will not have significant operational or financial effects on the Group.

On 4 December 2020, Joicare directly and indirectly held approximately 44.34% of the total issued shares of the Company, and is a controlling shareholder of the Company. Livzon Cayman was owned as to 55.13% and 35.75% by Livzon International and Joicare BVI, respectively. Therefore, Joicare, Joicare BVI, Livzon Cayman and its subsidiaries are connected persons of the Company.

As the transactions contemplated under the Reorganization Framework Agreement are interconnected, mutually conditional, and are expected to complete within 12 months, therefore, the transactions contemplated under the Reorganization Framework Agreement shall be aggregated in calculation according to Rules 14.22 and 14A.81 of the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of the Reorganization is higher than 0.1% but less than 5%, and the consideration for Reorganization is more than HK\$3,000,000, the transactions contemplated under the Reorganization Framework Agreement (a) do not constitute transactions under Chapter 14 of the Hong Kong Listing Rules, and (b) pursuant to Rule 14A.76 of the Hong Kong Listing Rules, among these transactions, 4 transactions constitute connected transactions and shall be subject to reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules, but are exempt from the requirement of independent shareholders' approval.

According to the relevant requirements under the Articles of Association, the Reorganization Framework Agreement and the transactions contemplated thereunder are required to be submitted to the general meeting of the Company for consideration and approval, and have been considered and approved by the 2021 first extraordinary general meeting of the Company on 8 January 2021.

On 11 January 2021, (1) the Company and Joicare respectively entered into the equity transfer agreements with Livzon HK, pursuant to which the Company and Joicare agreed to acquire 51% and 49% equity interest in LivzonBio from Livzon HK at a consideration of RMB24.31629 million (corresponding to the subscribed capital contribution of RMB127.50 million) and RMB23.36271 million (corresponding to the subscribed capital contribution of RMB122.50 million), respectively. (2) On the same day, the Company, Joicare, the Employee Incentive Platform (namely Hainan Lisheng Juyuan Investment Partnership (Limited Partnership) (海南麗生聚源投資合夥企業(有限合夥), "Lisheng Juyuan") and LivzonBio entered into the capital injection agreement, pursuant to which the registered capital of LivzonBio will be increased from RMB250,000,000 to RMB666,666,667, and the increased registered capital will be subscribed by the Company, Joicare and Lisheng Juyuan in proportion to their shareholdings in the capital contribution amount of RMB178.50 million, RMB171.50 million and RMB66.666667 million, respectively. The capital injection was completed with filing of industrial and business change registration on 15 January 2021. After the change, LivzonBio is owned by the Company, Joicare and Lisheng Juyuan as to 45.90%, 44.10% and 10.00%, respectively.

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

1. One-off Connected Transactions *(continued)*

Connected Transactions in Relation to Reorganization of Shareholding Structures of Controlling Subsidiaries *(continued)*

On 18 January 2021, (1) the Company, Joicare, Lisheng Juyuan, YF, Livzon HK, Livzon MAB, Kadi and LivzonBio entered into a capital injection agreement, pursuant to which the Company and YF (or its wholly-owned or controlling subsidiary designated by YF) agreed to subscribe the increased registered capital of RMB222,356,617 of LivzonBio at a consideration of RMB637,421,940.54 (corresponding to the subscribed capital contribution of RMB147,401,875) and RMB324,225,000 (corresponding to the subscribed capital contribution of RMB74,954,742) respectively. The capital injection was completed with filing of industrial and business change registration on 5 February 2021. After the change, the registered capital of LivzonBio increased from RMB666,666,667 to RMB889,023,284. The premium amount of the consideration in excess of the increased registered capital will be credited to the capital reserve of LivzonBio, LivzonBio will be held as to 51.00%, 33.07%, 8.43% and 7.50% by the Company, Joicare, YF and Lisheng Juyuan, respectively. (2) On the same day, LivzonBio and Livzon HK entered into the equity transfer agreement, pursuant to which, Livzon HK agreed to transfer and LivzonBio agreed to acquire 100% equity interest of Livzon MAB (representing the subscribed capital contribution of RMB1,453.33 million and the paid capital contribution of RMB1,413.33 million) at a consideration of RMB1,480.00 million, LivzonBio will assume the contribution obligation of the outstanding capital contribution. The equity transfer was completed with filing of industrial and business change registration on 3 February 2021. After the change, Livzon MAB will be directly owned by LivzonBio as to 100.00%.

On 27 January 2021, LivzonBio and Livzon Cayman entered into an equity transfer agreement, pursuant to which Livzon Cayman agreed to transfer and LivzonBio agreed to acquire 100% equity interest of Livzon HK at a consideration of RMB39.44565 million. After the change, Livzon HK will be directly owned by LivzonBio as to 100.00%.

On 25 February 2021, each of Livzon International, YF and Joicare BVI issued a repurchase letter to Livzon Cayman. Pursuant to which, (1) each of Livzon International and YF agreed that Livzon Cayman could repurchase its 24,574,830 ordinary shares and 12,500,000 preferred A shares held by them respectively at a consideration of US\$98,299,320 in RMB equivalent (i.e. RMB637,421,940.54) and US\$50,000,000 in RMB equivalent (i.e. RMB324,225,000), respectively; (2) each of Livzon International and Joicare BVI agreed that Livzon Cayman could repurchase its 50,999,999 ordinary shares and 49,000,000 ordinary shares held by them respectively at a consideration of RMB306,038,709 and RMB294,037,191 respectively. After completion of the above share repurchases, Livzon Cayman will only preserve 1 issued ordinary share, which will be held by Livzon International, and the relevant registration of Livzon Cayman will be cancelled.

2. Continuing Connected Transaction

Entering into the 2020 First Labour Services Framework Agreement

On 25 March 2020, upon consideration and approval by the Board, the Company entered into the 2020 First Labour Services Framework Agreement with Joicare. Pursuant to the 2020 First Labour Services Framework Agreement, during the period from 1 January 2020 to 31 December 2020, the Group will (1) provide labour services to Joicare Group, which mainly include trial production of drugs, research and development ("R&D") and technology transfer before launch of drugs, processing services after launch of drugs, and commissioned production of drugs, with a cap of RMB15.8999 million (the "2020 Cap for Provision of Labour Services"); (2) receive labour services from Joicare Group, which mainly include (i) water, electricity, steam and sewage treatment, and (ii) R&D of drugs, with a cap of RMB33.79 million (the "2020 Cap for Receipt of Labour Services").

SECTION V. MAJOR EVENTS

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

2. Continuing Connected Transaction *(continued)*

Entering into the 2020 First Labour Services Framework Agreement *(continued)*

Entering into the 2020 First Labour Services Framework Agreement may fully utilize the Group's experience, technology and facilities in R&D and production of drugs, optimize the capacity utilization of the production workshops, enrich the Group's product range and provide stable income for the Group. In addition, as Jiaozuo Hecheng and Shanghai Livzon Biotechnology Co., Ltd., Jiaozuo Branch (上海麗珠生物科技有限公司焦作分公司) (together with Jiaozuo Hecheng are both subsidiaries of the Company) are located inside the production site of Jiaozuo Joicare (a subsidiary of Joicare), they require the labour services from Jiaozuo Joicare for the provision of water, electricity, steam and sewage treatment. Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司) (a subsidiary of Joicare) would provide R&D service of drugs to Shanghai Livzon (a subsidiary of the Company) by leveraging on its extensive experience in R&D of drugs which will help advance the progress in R&D of drugs.

As at 25 March 2020, Joicare directly and indirectly held approximately 44.77% equity interest in the Company, and was the controlling shareholder of the Company. Therefore, Joicare and its associates were connected persons of the Company, and the transactions contemplated under the 2020 First Labour Services Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios of the 2020 Cap for Provision of Labour Services and the 2020 Cap for Receipt of Labour Services are higher than 0.1% but lower than 5%, respectively, the transactions contemplated under the 2020 First Labour Services Framework Agreement are subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Continuing Connected Transactions for 2020 to 2022

As the Group continues to expand its business, it was expected that more raw materials were required for manufacturing the Group's products in order to cope with its future business growth. Therefore, on 5 September 2014, 24 September 2015, 25 October 2016 and 16 August 2019, the Company and Joicare entered into the 2014 Joicare Purchases Framework Agreement, Supplementary Agreement, 2017 Joicare Purchases Framework Agreement and 2020 Joicare Purchases Framework Agreement respectively, pursuant to which, the Company obtained the annual caps of the continuing connected transactions with Joicare Group for the three years ended 31 December 2020, 2021 and 2022. As Joicare is the controlling shareholder of the Company, Joicare is a connected person of the Company under the Hong Kong Listing Rules. Companies in which Joicare held, directly or indirectly, 30% shareholdings or above are associates of Joicare and, therefore, are connected persons of the Company under the Hong Kong Listing Rules.

The annual cap of products to be procured from Joicare Group by the Group for the year ended 31 December 2020 is RMB445 million, while the aggregate amount of actual purchase for the Year arising from the transactions between the Group and Joicare (the controlling shareholder of the Company) together with Joicare's subsidiaries constituting "continuing connected transactions" under Chapter 14A of the Hong Kong Listing Rules was RMB298.05 million. During the Year, both parties complied with the pricing principles and transaction terms as set out in 2014 Joicare Purchases Framework Agreement, Supplementary Agreement, 2017 Joicare Purchases Framework Agreement and 2020 Joicare Purchases Framework Agreement when undergoing the above continuing connected transactions.

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

2. Continuing Connected Transaction *(continued)*

List of continuing connected transactions for the year 2020

Connected Parties	Relationships	Type of connected transactions	Pricing principle of connected transactions	Amounts of connected transactions in 2020 (RMB'000)	Proportion to transaction amounts of the same category
Shenzhen Haibin Pharmaceutical Co., Ltd.* (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Determined by negotiation based on market price	3,280.54	1.29%
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Determined by negotiation based on market price	25,690.52	10.13%
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Purchase of goods	Determined by negotiation based on market price	52.65	0.02%
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱製藥有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Determined by negotiation based on market price	781.27	0.31%
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Determined by negotiation based on market price	935.00	3.29%
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Determined by negotiation based on market price	1,984.42	6.97%
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Determined by negotiation based on market price	82.92	0.01%
Joicare Haibin Pharmaceutical Co., Ltd. (健康元海濱製藥有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Determined by negotiation based on market price	62.52	0.01%
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Determined by negotiation based on market price	69.54	0.01%
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Determined by negotiation based on market price	1.14	0.00%
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Determined by negotiation based on market price	14.34	0.00%
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Provision of services	Determined by negotiation based on market price	24.87	1.07%
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Provision of services	Determined by negotiation based on market price	1,075.44	46.40%
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Subsidiary of the controlling shareholder	Provision of services	Determined by negotiation based on market price	1.32	0.06%
Health Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	Determined by negotiation based on market price	9.17	1.02%

XVI. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES *(Continued)*

2. Continuing Connected Transaction *(Continued)*

List of continuing connected transactions for the year 2020 *(Continued)*

Connected Parties	Relationships	Type of connected transactions	Pricing principle of connected transactions	Amounts of connected transactions in 2020 (RMB'000)	Proportion to transaction amounts of the same category
Topsino Industries Limited (天誠實業有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	Determined by negotiation based on market price	2.63	0.29%
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessee	Determined by negotiation based on market price	77.96	5.00%
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessee	Determined by negotiation based on market price	264.34	16.95%
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Associate	Purchase of goods	Determined by negotiation based on market price	18.41	0.01%
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Associate	Provision of services	Determined by negotiation based on market price	133.80	5.77%
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Associate	Leasing of assets as a lessor	Determined by negotiation based on market price	306.71	34.05%
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	Associate	Receipt of services	Determined by negotiation based on market price	5.24	0.02%
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	Associate	Sale of goods	Determined by negotiation based on market price	6.34	0.00%
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	Associate	Provision of services	Determined by negotiation based on market price	36.50	1.57%
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	Associate	Leasing of assets as a lessor	Determined by negotiation based on market price	14.00	1.55%
Total				34,931.59	—

XVI. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES *(continued)***2. Continuing Connected Transaction** *(continued)***Confirmation from independent non-executive Directors in respect of the above connected transactions**

In respect of the abovementioned continuing connected transactions, the independent non-executive Directors of the Company have reviewed and confirmed under Rule 14A.55 of the Hong Kong Listing Rules that:

- such transactions were entered into in the Group's ordinary and usual course of business;
- such transactions were conducted on normal commercial terms;
- such transactions were conducted in accordance with the agreements governing such transactions, and the terms of such transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- the Group has adopted appropriate internal control procedures in the ordinary course of business which have been implemented properly and effectively.

Confirmation from the auditor in respect of the above connected transactions

The auditor of the Company have examined the above continuing connected transactions, and provided a letter to the Board under Rule 14A.56 of the Hong Kong Listing Rules stating that:

- Nothing has come to the auditor's attention that causes them to believe that the above transactions had not been approved by the Board of the Company;
- In respect of transactions for provision of goods or services by the Group, nothing has come to the auditor's attention that causes them to believe that the above transactions had not been conducted in accordance with the pricing policies of the Group;
- Nothing has come to the auditor's attention that causes them to believe that the above transactions had not been conducted in accordance with the relevant agreements governing such transactions; and
- Nothing has come to the auditor's attention that causes them to believe that the amounts of such transactions had exceeded the Group's annual cap of transactions for the year ended 31 December 2020.

SECTION V. MAJOR EVENTS

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

2. Continuing Connected Transaction *(continued)*

Internal control procedures for the abovementioned connected transactions

The Company has adopted the following internal control procedures as appropriate in its daily operation to monitor the abovementioned continuing connected transactions:

- We have mechanisms for identifying connected persons, review and update the list of connected persons and conduct background investigation before making transactions;
- We have formulated and followed our internal management system to ensure the pricing terms of individual continuing connected transactions were in line with the specific pricing policies or mechanisms under the framework agreements;
- We monitor amounts of the transactions regularly to ensure that they will not exceed the annual caps;
- We review our internal pricing policy or mechanism regularly; and
- We meet with the management, the Audit Committee and internal auditors regularly to review related transactions and relevant internal control measures.

3. Connected Transactions and Related Party Transactions

Details of the connected transactions and related party transactions of the Group during the Year are set out in "Note X. 5. Related Transactions" of the financial statements of the Report prepared in accordance with the China Accounting Standards for Business Enterprises. Save the connected transactions as disclosed in this chapter, none of other related party transactions are required to be included under the definition of "Connected Transactions" or "Continuing Connected Transactions" pursuant to Chapter 14A of the Hong Kong Listing Rules for disclosure according to its requirements.. The Company confirmed that these connected transactions have complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

XVII. MATERIAL CONTRACTS AND THEIR ENFORCEMENT**1. Custody, Hiring and Leasing****Custody**

☐ Applicable ☒ Not applicable

During the Year, the Company had no custody items generating gain or loss amounting to 10% or above of total profit of the Company.

Hiring

☐ Applicable ☒ Not applicable

During the Year, the Company had no hiring items generating gain or loss amounting to 10% or above of total profit of the Company.

Leasing

☐ Applicable ☒ Not applicable

During the Year, the Company had no leasing items generating gain or loss amounting to 10% or above of total profit of the Company.

2. Major Guarantees

☒ Applicable ☐ Not applicable

During the Year, except for the "Provision of financing guarantees to its invested company Zhuhai Sanmed" disclosed in this section, the Company had no guarantees other than those to its subsidiaries.

XVII. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(continued)*2. Major Guarantees *(continued)*

(1) Guarantees

Credit Facilities Guarantees

Unit: RMB0'000

External guarantees of the Company and its subsidiaries (excluding guarantees to its subsidiaries)								
Name of guaranteed party	Disclosure date of the announcements relating to guaranteed amount	Guaranteed amount	Actual date of event (signing date of the agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Performance completed	Related party guarantee
-	-	-	-	-	-	-	-	-
Total of external guaranteed amount approved during the Reporting Period (A1)				-	Total of actual external guaranteed amount occurred during the Reporting Period (A2)			-
Total of external guaranteed amount approved at the End of the Reporting Period (A3)				-	Total of actual external guaranteed amount occurred at the End of the Reporting Period (A4)			-

Guarantees between the Company and its subsidiaries								
Name of guaranteed party	Disclosure date of the announcements relating to guaranteed amount	Guaranteed amount	Actual date of event (signing date of the agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Performance completed	Related party guarantee
Zuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	2020.4.9	4,000.00	2019.10.16	314.56	Joint liability guarantee	2019.10.16-2022.7.17	No	No
Zuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	2020.4.9	10,000.00	2020.6.10	2,506.73	Joint liability guarantee	2017.8.22-2025.6.1	No	No
Zuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	2020.4.9	20,000.00	2020.6.30	1,086.67	joint liability guarantee	2020.6.30-2023.2.28	No	No
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2020.11.17	10,000.00	2020.3.20	932.89	Joint liability guarantee	2020.3.20-2023.2.28	No	No
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2020.11.17	30,000.00	2020.7.17	13,000.00	Joint liability guarantee	2020.7.17-2021.9.29	No	No
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2020.4.9	17,000.00	2020.3.31	2,221.01	Joint liability guarantee	2020.3.31-2023.2.21	No	No
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2020.4.9	18,000.00	2020.6.11	1,332.62	Joint liability guarantee	2020.6.11-2021.5.26	No	No
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2020.4.9	10,000.00	2020.7.31	6,699.06	Joint liability guarantee	2020.7.31-2021.7.31	No	No
Zuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2020.4.9	5,000.00	2020.4.20	4,900.00	Joint liability guarantee	2020.4.20-2021.4.19	No	No
Zuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2020.4.9	20,000.00	2020.3.30	3,673.34	Joint liability guarantee	2020.3.30-2023.2.21	No	No

XVII. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(Continued)*2. Major Guarantees *(continued)*(1) Guarantees *(continued)*Credit Facilities Guarantees *(continued)*

Guarantees between the Company and its subsidiaries

Name of guaranteed party	Disclosure date of the announcements relating to guaranteed amount	Guaranteed amount	Actual date of event (signing date of the agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Performance completed	Related party guarantee
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2020.4.9	12,000.00	2020.6.10	10,456.55	Joint liability 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)	2020.4.9	4,000.00	2020.5.20	2,807.79	Joint liability guarantee	2020.5.20-2023.2.21	No	No
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2020.4.9	11,000.00	2019.7.2	3,803.25	Joint liability guarantee	2019.7.2-2020.12.31	No	No
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2020.4.9	12,000.00	2020.6.30	5,807.80	Joint liability guarantee	2020.6.30-2023.2.28	No	No
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2020.4.9	14,000.00	2020.6.10	5,848.95	Joint liability guarantee	2017.8.22-2025.6.1	No	No
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2020.4.9	10,000.00	2020.4.25	1,900.00	Joint liability guarantee	2020.4.24-2021.4.24	No	No
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2020.4.9	5,000.00	2020.6.10	3,991.07	Joint liability guarantee	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)	2020.4.9	10,000.00	2020.6.10	4,431.74	Joint liability guarantee	2017.8.22-2025.6.1	No	No
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2020.4.9	8,000.00	2020.6.10	7,609.64	Joint liability guarantee	2017.8.22-2025.6.1	No	No
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	2020.4.9	10,000.00	2020.7.27	7,395.94	Joint liability guarantee	2020.7.27-2021.7.27	No	No
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	2020.4.9	4,000.00	2020.6.10	54.99	Joint liability guarantee	2017.8.22-2025.6.1	No	No
Total of guaranteed amount to its subsidiaries approved during the Reporting Period (B1)			1,051,900.00	Total of actual guaranteed amount to its subsidiaries occurred during the Reporting Period (B2)			172,865.00	
Total of guaranteed amount to its subsidiaries approved at the End of the Reporting Period (B3)			1,051,900.00	Total of actual guaranteed amount to its subsidiaries occurred at the End of the Reporting Period (B4)			90,774.63	

XVII. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(continued)***2. Major Guarantees** *(continued)***(1) Guarantees** *(continued)***Credit Facilities Guarantees** *(continued)*

Subsidiaries' guarantees to subsidiaries								
Name of guaranteed party	Disclosure date of the announcements relating to guaranteed amount	Guaranteed amount	Actual date of event (signing date of the agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Performance completed	Related party guarantee
-	-	-	-	-	-	-	-	-
Total of guaranteed amount to the subsidiaries approved during the Reporting Period (C1)			-	Total of actual guaranteed amount to the subsidiaries occurred during the Reporting Period (C2)				-
Total of guaranteed amount to the subsidiaries approved at the End of the Reporting Period (C3)			-	Total of actual guaranteed amount to the subsidiaries occurred at the End of the Reporting Period (C4)				-
Total guaranteed amount of the Company (total of the above three items)								
Total of guaranteed amount approved during the Reporting Period (A1+B1+C1)		1, 051,900.00		Total of actual guaranteed amount occurred during the Reporting Period (A2+B2+C2)				172, 865.00
Total of guaranteed amount approved at the End of the Reporting Period (A3+B3+C3)		1, 051,900.00		Total of actual guaranteed amount occurred at the End of the Reporting Period (A4+B4+C4)				90,774.63
Total of actual guaranteed amount (A4+B4+C4) as a percentage to the net assets of the Company								7.50%
Including:								
Guarantee amount provided to Shareholders, the ultimate beneficial owner and their related parties (D)								-
Debt guarantee amount directly or indirectly provided to guaranteed party with a gearing ratio exceeding 70% (E)								-
The amount exceeding 50% of net assets in total guarantee amount (F)								-
Total guarantee amount of the above three items (D+E+F)								-
Statement on the contingent joint liability in connection with outstanding guarantees (if any)								Not applicable
Statement on illegal external guarantees (if any)								Not applicable

XVII. 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 31 December 2020, 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	18,240.59	Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	1,200.59	Till 10 June 2021
			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	5,562.93	Till 10 June 2021
			Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	12.36	Till 21 January 2021
			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	1,880.88	Till 14 March 2021
			Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	2,764.98	Till 18 May 2021
			Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Opening bank acceptance bills, joint liability guarantee	1,855.88	Till 10 June 2021
			Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	3,489.77	Till 16 June 2021
			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	454.92	Till 14 September 2021
			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	165.60	Till 11 June 2021
Total balance of actual guaranteed amount for subsidiaries at the End of the Reporting Period					17,387.91	

SECTION V. MAJOR EVENTS

XVII. 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 35.75% of the obligation of the Company under the guarantee granted to Livzon MAB and the guarantee period of which will be expired on the expiry date of the Company's obligation thereunder.

Zhuhai Liying Investment Management Partnership (Limited Partnership) (珠海麗英投資管理合夥企業 (有限合夥)), the other shareholder of Livzon Diagnostics, has provided a "Letter of Undertaking for Counter Guarantee", pursuant to which it has undertaken to provide a joint liability guarantee for 9.025% of the obligation of the Company under the guarantee granted to Livzon Diagnostics 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 Pharmaceutical, has provided a "Letter of Undertaking for Counter Guarantee", pursuant to which it has undertaken to provide a joint liability guarantee for 8.44% of the obligation of the Company under the guarantee granted to Xinbeijiang Pharmaceutical and the guarantee period of which will be expired on the expiry date of the Company's obligation thereunder.

Other shareholders of Zhuhai Sanmed including Lilin and Shi Jianfeng have provided "Letter of Undertaking for Counter Guarantee", pursuant to which they undertaken to provide a joint liability guarantee for a total of 74.0822% of the obligation of the Company under the guarantee provided to Zhuhai Sanmed and the guarantee period of which will be expired on the expiry date of the Company's obligation thereunder.

Provision of financing guarantees to its invested company Zhuhai Sanmed

The Company convened a Board meeting on 16 November 2020 to consider and approve the provision of joint liability guarantees to the two banks for Zhuhai Sanmed's applications of facility financing of no more than RMB50,000,000 or its equivalent in foreign currencies (the "Zhuhai Sanmed Guarantees"). Zhuhai Sanmed is held as to 29.1642% by the Company, 36.1584% by Ms. Li Lin and 34.6774% by the remaining 11 shareholders. It is principally engaged in the development and industrialization of liquid biopsy reagents, automation equipment and artificial intelligence cloud computing for tumors.

In order to ensure the fairness and equity of the Zhuhai Sanmed Guarantees, other shareholders of Zhuhai Sanmed have provided to the Company "Letters of Undertaking for Counter Guarantee", pursuant to which they have undertaken to provide counter guarantees in proportion to their shareholdings in Zhuhai Sanmed, and the guarantee period will be expired on the expiry date of the Company's obligation under the Zhuhai Sanmed Guarantees.

The Zhuhai Sanmed Guarantees are for the purpose of meeting the capital needs for business operation of Zhuhai Sanmed. After conducting a comprehensive evaluation on Zhuhai Sanmed's asset quality, operation, industry prospects, solvency and credit status, the Board considered that the guarantee risks assumed by Zhuhai Sanmed Guarantees are within the controllable range and Zhuhai Sanmed has the ability to repay the debts.

XVII. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(continued)***2. Major Guarantees** *(continued)***(1) Guarantees** *(continued)***Provision of financing guarantees to its invested company Zhuhai Sanmed** *(continued)*

On 16 November 2020, Ms. Li Lin is a connected person of the Company at the subsidiary level according to Rule 14A.07(1) of the Hong Kong Listing Rules, and Ms. Li Lin holds 36.1584% equity interest in Zhuhai Sanmed and accordingly Zhuhai Sanmed is an associate of Ms. Li Lin. Accordingly, the Zhuhai Sanmed Guarantees constitute connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. By virtue of Rule 14A.76(1)(b) of the Hong Kong Listing Rules, since (1) one or more of the applicable percentage ratios (as defined in the Hong Kong Listing Rules) in respect of the Zhuhai Sanmed Guarantees exceed 0.1% but is less than 1%, (2) Zhuhai Sanmed is a connected person at the subsidiary level; and (3) the Zhuhai Sanmed Guarantees are on normal commercial terms or better, the Zhuhai Sanmed Guarantees are fully exempt from reporting, annual review, announcements, and independent Shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

As Mr. Tao Desheng, a Director of the Company, and Mr. Yang Liang, a vice president of the Company, hold directorships in Zhuhai Sanmed, Zhuhai Sanmed is a related legal person of the Company pursuant to the Shenzhen Listing Rules. According to Rule 10.2.6 of the Shenzhen Listing Rules and the Articles of Association, providing guarantees for a related legal person, Zhuhai Sanmed, is subject to the approval at the general meeting of the Company. The Zhuhai Sanmed Guarantees was considered and approved at the 2020 fifth extraordinary general meeting of the Company held on 11 December 2020.

On 24 December 2020, the Company entered into a guarantee agreement with Industrial and Commercial Bank of China Zhuhai Branch in the amount of RMB29.00 million to provide guarantee for the credit facility granted to Zhuhai Sanmed by Industrial and Commercial Bank of China Zhuhai Branch.

(2) Information on illegal external guarantees

☐ Applicable ☒ Not applicable

During the Reporting Period, the Company had no illegal external guarantee.

3. Entrusted Cash Assets Management**Entrusted wealth management**

☐ Applicable ☒ Not applicable

During the Year, the Company had no entrusted wealth management.

Entrusted loans

☐ Applicable ☒ Not applicable

During the Year, the Company had no entrusted loans.

4. Other Material Contracts

☐ Applicable ☒ Not applicable

Save for contracts as disclosed in the Report, the Company did not enter into any other material contracts during the Year.

5. Other Material Transactions

Save for transactions as disclosed in the Report, the Company did not enter into any other material transactions during the Year.

XVIII. 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 IV 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 "XVI. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES-1. One-off Connected Transactions" in Section V of the Report for relevant information.

Subscription for additional registered capital of Atom Bioscience by Livzon Equity Investment Company

For details on the subscription for additional registered capital of Atom Bioscience by Livzon Equity Investment Company, please refer to "V. Analysis of Financial Position – 20. Investments" in Section IV of the Report for relevant information.

Launch of futures hedging activities by controlling subsidiaries

On 7 May 2020, 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 Pharmaceutical, Fuzhou Fuxing, Ningxia Pharmaceutical and Sichuan Guangda, may carry out commodity futures hedging activities (the "Futures Hedging Activities"). The total deposit planned to be invested in the Futures Hedging Activities shall not exceed RMB20.00 million. The subsidiaries of the Company shall carry out the Futures Hedging Activities in a hedging principle of avoiding the risk of fluctuation in raw material price and stabilizing purchase costs, and no speculative transaction is allowed.

The Group carries out the Futures Hedging Activities for a purpose of avoiding the risks arising from the fluctuation in the prices of principal raw materials used in production and operation. The transaction relating to standardized futures contracts listed on domestic futures exchanges shall be carried out in combination with plans of sales and production procurement to hedge the price fluctuation risks in the transactions in the spot market, thereby stabilizing procurement costs and guaranteeing the steady business development of the Group.

XVIII. SIGNIFICANT EVENTS OF SUBSIDIARIES OF THE COMPANY *(continued)***Disposal of 19.99% equity interest in Ni Ke Company**

On 23 May 2020, the Company, Yongyi Yu (ultimate beneficial owner and founder of Ni Ke Company), Zijin Zhonghao (Zhejiang) Investment Co., Ltd.* (紫金中浩(浙江)投资有限公司), Wu Guangming (吳光明) and other shareholders of Ni Ke Company (each party above collectively, the "Selling Shareholders"), and Jiangsu Ni Ke Medical Device Co., Ltd.* (江蘇尼科醫療器械有限公司) ("Ni Ke Company") entered into the Equity Transfer Agreement in relation to Jiangsu Ni Ke Medical Device Co., Ltd. (the "Equity Transfer Agreement") with Genesis Medtech Investment (HK) Limited ("Genesis"). Pursuant to the Equity Transfer Agreement, Genesis agreed to acquire 80% equity interest held by the Selling Shareholders in Ni Ke Company for a consideration of RMB515.9250 million or its US dollar equivalent. As at 23 May 2020, the Company held 19.99% equity interest in Ni Ke Company, and the consideration for the disposal of the 19.99% equity interest held by the Company (the "Disposal") was approximately RMB121.5075 million.

Ni Ke Company is an invested company of the Company. It is principally engaged in production and sales of medical device products. The Disposal can effectively realize the withdrawal of the investment project of the Company, thereby enabling the Company to put more focus on its principal businesses in innovative medicines.

The Company has received the consideration for the Disposal in total amount of USD17,221,671.08 (equivalent to RMB121,628,052.00) on 30 June 2020. Based on the Company's estimates and calculations, after the deduction of related expenses such as investment costs and taxes, the net profit of the Company attributable to shareholders of the parent company will increase by approximately RMB86.8355 million as a result of the Disposal.

Establishment of joint venture

For details on the establishment of a joint venture by Xinbeijiang Pharmaceutical, please refer to "XVI. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES – 1. One-off Connected Transactions" in Section V of the Report.

XIX. PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

☐ Applicable ☒ Not applicable

SECTION V. MAJOR EVENTS

XX. SOCIAL RESPONSIBILITY

1. Performance of Social Responsibility of Precise Poverty Alleviation

(1) Precise poverty alleviation plan

① Industry-based poverty alleviation

Basic strategy :

Under the guidance of the spirit of the Communist Party of China's Eighteenth Congress together with the Third, Fourth, Fifth Plenary Session of the Eighteenth Congress, the Company fully implements the important instructions put forward by General Secretary Xi Jinping on strengthening poverty alleviation work. In accordance with the requirement of "Five Groups" supporting program, we establish the concept of "Precise Poverty Alleviation + Astragalus root (黃芪) Industry", promote the integration of poverty alleviation policy, industry development projects and occupational skills training, and implement poverty alleviation model of "Company + Base + Poor households", encouraging the poor households 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 Company will explore the development of the astragalus root industry based on local resources characteristics to achieve poverty elimination and construction of the "Chinese Medicine Ecological Base".

General objective :

To achieve full-scale and stable poverty elimination through the industry for 150 people in three counties, namely Hunyuan and Tianzhen in Shanxi (山西) province and Zizhou in Shanxi (陝西) province from 2018 to 2020.

Major tasks in 2020 :

- (i) Complete the training on standardized astragalus root (黃芪) plantation and processing technology for 50 people and enhance the occupational skills of poor farmers;
- (ii) Adopt the poverty alleviation models of "Company + Base + Poor households" and "Company + Specialised farmers cooperatives + Poor households" to achieve poverty elimination for 10 poor households through astragalus root industry, establish demonstration base of standard production, incorporate poor households into the scope of base construction and improve the astragalus root production condition in poverty-stricken areas.

Protection measures: Signing purchase orders of astragalus root with poor households and their products will be preferentially purchased subject to the fulfilment of enterprises' requirement under standardized production.

XX. SOCIAL RESPONSIBILITY *(continued)***1. Performance of Social Responsibility of Precise Poverty Alleviation** *(continued)***(1) Precise poverty alleviation plan** *(continued)*

② Health-based poverty alleviation

To proactively follow the national policies and play a helpful role in health-based poverty alleviation, the Company conducts a health-based poverty alleviation project for chronic diseases by virtue of its own strengths in pharmaceutical industry. The project mainly involves donating drugs for chronic diseases such as hypertension, hyperlipidemia and cardiovascular diseases to targeted national poverty-stricken regions, providing timely assistance for low-income people, creating convenience for patients to take drugs nearby and relieving financial burden on healthcare of patients' families with financial difficulties, in order to make contribution to improving healthcare services for people in poverty-stricken regions.

(2) Summary of precise poverty alleviation during the Year

① Industry-based poverty alleviation

During the Year, 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 employed approximately 110 workers for the self-built base and jointly-constructed base, including 20 impoverished people (including workers at the base and processing staff at the workshop). In Shanxi (陝西) and Shanxi (山西), 50 people were trained on the standardized planting and processing techniques of astragalus root to improve the vocational skills of poor farmers, and the Group jointly established 33,000 mu of bases in three counties, namely Hunyuan, Tianzhen and Yingxian in Shanxi (山西) as well as Zizhou in Shanxi (陝西), to provide reliable sales channels for poor households.

② Health-based poverty alleviation

During the Year, the Company successively carried out chronic disease poverty alleviation projects in Jiange County and Pingwu County in Sichuan Province, the Xianghai National Nature Reserve in Jilin Province, Chayu County in Tibet Autonomous Region, and Macun District of Jiaozuo City in Henan Province.

(3) Effectiveness of precise poverty alleviation

Indicators	Unit	Quantity/Progress
I. Overall situation	—	—
Including :		
1. Funds	RMB0' 000	21.52
2. Value of resources donated	RMB0' 000	390.00
3. Number of registered poor people lifted out of poverty	Person	20
II. Investment breakdown	—	—
1. Industrial development for poverty alleviation	—	—
Including :		
1.1 Type of industrial poverty alleviation projects	—	Poverty alleviation project through forestry and agriculture
1.2 Number of industrial poverty alleviation projects	Project	1
1.3 Amount invested in industrial poverty alleviation projects	RMB0' 000	16.42
1.4 Number of registered poor people lifted out of poverty	Person	20
2. Health-based poverty alleviation	—	—
Including :		
2.1 Amount invested in medical and healthcare resources for poverty-stricken regions	RMB0' 000	395.10

XX. SOCIAL RESPONSIBILITY *(continued)***1. Performance of Social Responsibility of Precise Poverty Alleviation** *(continued)***(4) Subsequent precise poverty alleviation plans****① Industry-based poverty alleviation**

Adhering to the work guideline of “remaining practical and realistic, acting according to circumstances, giving different guidance to different categories of enterprises, and performing targeted poverty alleviation (實事求是、因地制宜、分類指導、精準扶貧)” emphasized by General Secretary Xi Jinping, poverty alleviation measures and effectiveness for poverty households and poverty population are ensured with emphasis placed on both “people” and “money”. According to the general objectives and requirements of poverty alleviation of the Group and Datong Livzon, Datong Livzon will implement the targeted poverty alleviation for 2021 is as follows:

- (i) Datong Livzon is expected to employ approximately 50 local workers for the self-built base and jointly-constructed base, including approximately 10 poor people (including workers at the base and processing staff at the workshop).
- (ii) Datong Livzon will sign purchase orders with poor households and their products will be given preference subject to the fulfilment of enterprises’ requirement under standardized production.

② Health-based poverty alleviation

Precise poverty alleviation is the essence and highlight of the poverty alleviation work of the Party and the State in the new era, and it is also an important safeguard for building a well-off society in an all-round way and realizing the great “Chinese dream” of the Chinese nation. Precise poverty alleviation requires that poverty alleviation work shall be focused on every poor household, adapting to local conditions and taking various forms to achieve poverty alleviation goals.

Joincare and the Group have launched the “Poverty Alleviation against Chronic Diseases (慢病扶貧)” program by virtue of their own advantages. This form of targeted poverty alleviation is the first of its kind in the domestic enterprises, and it is also the only form of public welfare poverty alleviation with a certain scale. The project accurately targets hypertension, hyperlipidemia, and cardiovascular and cerebrovascular diseases. As such, donations to poor counties include Pravastatin Capsules (普伐他汀膠囊), Amlodipine Besylate Capsules (苯磺酸氨氯地平膠囊), Valsartan Capsules (纈沙坦膠囊), and Isosorbide Mononitrate Tablets (單硝酸異山梨酯片) and other drugs for treatment of chronic diseases, which could be worth millions of RMB. These drugs can really help families with financial difficulties, make it convenient for patients in the regions to take drugs nearby, and provide timely assistance to low-income people. Based on actual conditions, the project regularly makes continuous drug donations to poverty-stricken regions and helps to implement poverty alleviation work in such regions.

XX. SOCIAL RESPONSIBILITY *(continued)***1. Performance of Social Responsibility of Precise Poverty Alleviation** *(continued)***(4) Subsequent precise poverty alleviation plans** *(continued)***② Health-based poverty alleviation** *(continued)*

In respond to the Targeted Poverty Alleviation Strategy of the PRC, Joincare and the Group, which take social welfares as their long term undertaking, aim to alleviate poverty among the elder patient group with chronic diseases, who often suffer illness and get into poverty due to medicine expenditures because of the prevalence of chronic diseases such as hypertension, hyperlipemia and cardio-cerebro vascular diseases. Therefore, Joincare and the Group sponsored the "Poverty Alleviation against Chronic Diseases" program for the underprivileged group in poverty. From late 2018 onwards, the "Poverty Alleviation against Chronic Diseases" program was carried out subsequently among poverty people in the areas including Chaotian District of Guangyuan City in Sichuan Province, Songpan County, Jiange County and Pingwu County of the Autonomous Prefecture of Aba Zangs and Qiangs in Sichuan Province, Hunyuan County, Guangling County and Lingqiu County of Datong City in Shanxi (山西) Province, Dongxiang County and Tianzhu County in Gansu Province, Xianghai national nature reserve in Jilin Province (poverty alleviation for the second year), Chayu County in Tibet Autonomous Region and Macun District of Jiaozuo City in Henan Province, in which some of the middle-aged and elder patients with chronic diseases gained benefits.

As at 31 December 2020, there were a total of 12 poverty alleviation agreements, among which 11 were poverty counties and one was natural reserve at state level, and there were more than 5,000 registered poor people. The objective of the "Poverty Alleviation against Chronic Diseases" program for 2021 is to donate drugs to areas including Anhui and Sichuan.

2. Fulfilling Other Social Responsibilities

During the Year, the Group actively assumed social responsibility, fulfilled the obligations of information disclosure and effectively protected the legitimate interests of the shareholders, creditors and all employees of the Group in strict accordance with the relevant provisions of laws and regulations such as the Company Law, Securities Law, Shenzhen Listing Rules and Hong Kong Listing Rules, departmental rules and regulations, normative documents and the Articles of Association. Through continuous improvement of the Group's integrated strength, strengthened management of environmental protection, harmonious relationship among the Company and Shareholders, creditors and consumers is achieved.

(1) Protection of Shareholders' and Creditors' Rights and Interests

In strict accordance with the relevant provisions of the Company Law, the Securities Law and the Guidelines for the Standardized Operation of Companies Listed on the Shenzhen Stock Exchange, the Group fulfilled the obligation of information disclosure, and disclosed the Group's periodic report and interim announcement realistically, accurately, completely, fairly and promptly with no selective disclosure, ensuring the right of all shareholders to be notified of important matters and operating performance of the Group. At the same time, in order to further strengthen the management of investor relations, the Group engaged in adequate communication with investors through multiple means including telephone, internet, reception of visits from investment research organisations.

During the Year, the Group attached great importance to safeguarding the interests of shareholders and creditors of the Company, conscientiously fulfilled the relevant commitments as scheduled, and promptly informed the creditors of material information related to their interests and actively cooperated with and supported the creditors to understand the finance and operation management of the Group in accordance with the law.

During the Year, the Group attached great importance to the return on the investment made by investors and, in strict compliance with the relevant provisions of the Articles of Association, proposed the 2020 dividend plan. For details, please refer to "PROFIT DISTRIBUTION OF ORDINARY SHARES AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL OF THE COMPANY" and "PROPOSALS ON PROFIT DISTRIBUTION AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL DURING THE YEAR" in Section V of the Report.

SECTION V. MAJOR EVENTS

XX. SOCIAL RESPONSIBILITY *(continued)*

2. Fulfilling Other Social Responsibilities *(continued)*

(2) Protection of workers' rights and interests

The Group strictly abides by the relevant laws and regulations such as the Labor Law and the Labor Contract Law. Since the establishment of the Company, the Group has adhered to the employment guidelines of "Learning virtues from others, keeping harmony despite differences", fully respecting the career development of staff, protecting their legitimate rights and interests, continuously improving their working environment and effectively protecting the production safety of staff. During the Year, the Group maintained harmonious relationship with its employees.

In order to further implement the protection of workers' rights and interests, the Group has formulated and improved remuneration system and welfare mechanism, including salary system and employee incentive mechanism. During the Year, the Company successfully completed the work related to the commencement of the second exercise period of the first grant and the first exercise period of the reserved grant under the 2018 Share Options Incentive Scheme. During the Year, in order to further establish and improve the Company's long-term incentive mechanism, attract and retain outstanding employees, fully motivate the Directors, senior management, mid-level management and relevant core personnel of the Company and effectively integrate Shareholders' interests, the Company's interests and individual interests of the core team members, the Company's general meeting has approved the "Medium to Long-term Business Partner Share Ownership Scheme (Draft)" and its revised draft on 11 February 2020 and 11 December 2020 respectively.

During the Year, in order to enhance the cohesion and sense of belonging among staff members, the Group held a number of sports competitions and carried out a series of large-scale outdoor activities such as climbing mountains, visiting parks and fun athletic meetings, which effectively relieved the stress of staff, enriched their life outside work, facilitated the bonds among staff members and created a harmonious working atmosphere.

(3) Safe production and environmental protection

During the Year, the Group strictly implemented and complied with various laws and regulations on environmental protection and occupational health and safety, such as the Environmental Protection Law of the People's Republic of China, the Production Safety Law of the People's Republic of China and the Occupational Disease Prevention and Control Law of the People's Republic of China. Taken "life first, safety first, compliance with laws and regulations, and protection of the environment" as the EHS (environment, health and safety) value concepts, the Group constantly improved the systematic EHS risk control in compliance with the various requirements of the environmental management system and the occupational health and safety management system, regularly publicized the safety and environmental protection information as required by the regulations, and actively improved the public awareness of various types of information.

The manufacturing enterprises of the Group are equipped with sewage treatment facilities, waste gas treatment facilities, noise pollution control facilities, and occupational health and safety protection facilities. In order to further promote energy saving, emission reduction and ensure production safety, the Group continuously increased its investments in safety and environmental protection, actively promoted the upgrading and transformation of various safety and environmental protection facilities, and promoted clean production and standardization of safe production, thus improving the comprehensive utilization rate of resources, reducing the discharge of pollutants and ensuring production safety. Through energy saving and emission reduction, the EHS management system and standardization of safe production, the Group strived to realize the coordinated development among corporate economic benefit, social benefit, and safety and environmental protection benefit.

XX. SOCIAL RESPONSIBILITY *(continued)***2. Fulfilling Other Social Responsibilities** *(continued)***(3) Safe production and environmental protection** *(continued)*

The manufacturing enterprises of the Group set up special EHS management departments and deployed special EHS management personnel, formulated various safety and environmental management regulations, prepared contingency plans for environmental emergencies and production safety accidents, set up emergency leadership groups and working groups, learned various emergency measures, and regularly organized professional trainings and emergency plan drills for employees. During the Year, the manufacturing enterprises of the Group had no major environmental accidents and production safety accidents, and the annual objectives of safety and environmental protection and plans of each of the manufacturing enterprises were effectively implemented.

(4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department

☒ Yes ☐ No ☐ Not applicable

(i) 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	Intermittent	1	The northwest side of the factory	53.36	100	49.41	124.5	Nil
	Ammonia nitrogen				0.49	15	0.48	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 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 plant shall be ≤ 500 mg/L and ≤ 60 mg/L respectively. The data was obtained from Fuqing Environmental Protection Bureau.

SECTION V. MAJOR EVENTS

XX. SOCIAL RESPONSIBILITY *(continued)*

2. Fulfilling Other Social Responsibilities *(continued)*

(4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department *(continued)*

(i) Fuzhou Fuxing *(continued)*

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" according to requirements, and employs an advanced sewage treatment process known as "Regulating pool + Hydrolysis acidification tank + SBR + Air float". After the sewage has gone through the above treatment process, all indicators are stable and satisfy the discharge standard. After meeting the discharge standards, the sewage is discharged to Jiangyin sewage 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. A newly constructed RTO waste gas treatment facility can treat organic waste gas through high-temperature incineration which will be emitted after meeting emission standards. Three sets of waste gas treatment devices for fermentation, tank-receiving stations, and environmental protection have been newly built, so that the waste gas could be discharged after meeting the standard through multi-stage of water spray treatment. The second plant has newly constructed its waste gas treatment facility, in which the waste gas was treated through the secondary chemical washing and activated carbon adsorption method and emitted after meeting the emission standards.

Environmental Impact Assessment of Construction Projects and Other Environmental Protection Administrative Licensing:

The "Environmental Impact Report on Product Upgrading Project of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (《麗珠集團福州福興醫藥有限公司產品升級改造項目環境影響報告書》)" was approved on 7 March 2017; and environmental protection inspection and acceptance upon completion of construction was passed on 25 November 2017. The "Environmental Impact Report on the Expansion Project for Production of 20 Tonnes of Paromomycin, 2 Tonnes of Telavancin, 1.8 Tonnes of Pentostatin, 3 Tonnes of Daptomycin, 3 Tonnes of Teicoplanin, 0.3 Million and 1 Billion of Kanamycin Monosulfate and 2 Tonnes of Milbemycin Oxime per Year (《年產巴龍霉素20噸、特拉萬星2噸、噴司他汀1.8噸、達托霉素3噸、替考拉寧3噸、單硫酸卡那霉素30萬十億、米爾貝肟2噸擴建項目環境影響報告書》)" of the company was approved on 24 July 2018; and the phased inspection and acceptance was passed for production of 3 tonnes of Teicoplanin and 2 tonnes of Telavancin on 12 October 2019. The "Environmental Impact Report on the Project for Annual Production of 1,000 Tonnes of Colistin Premix (《年產黏桿菌素預混劑1,000噸項目環境影響報告表》)" of the company was approved on 27 November 2018; and the inspection and acceptance was passed on 9 May 2019. The "Environmental Impact Report of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. on the Expansion Project for Annual Output of 10 tonnes of Pasiniazid, 2 tonnes of Polymyxin, 400Kg of Oritavancin, 360 tonnes of Alumina, 6 tonnes of Doramectin and 6 tonnes of Tobramycin" was approved on 10 June 2019, and had passed the phased (6-tonne tobramycin) acceptance on 28 October 2020; the "Environmental Impact Report on the Phase II High-end Antibiotics Project of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd." was approved on 18 March 2020, and had passed the phased (0.15-tonne rapamycin) acceptance on 31 October 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. 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 requirements and various administrative requirements.

XX. SOCIAL RESPONSIBILITY *(continued)***2. Fulfilling Other Social Responsibilities** *(continued)***(4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department** *(continued)***(i) 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 "Focus on Prevention, Aim at Self-help, Centralized Command, Division of Responsibility (預防為主、自救為主、統一指揮、分工負責)", which was approved on 1 November 2019 with the file reference number 350181-2019-039-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. On 19 April 2020, a joint emergency drill for solvent leakage was conducted, and on 23 June 2020, a comprehensive emergency drill for fire accidents was conducted.

Environmental Self-monitoring Program:

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

SECTION V. MAJOR EVENTS

XX. SOCIAL RESPONSIBILITY (continued)

2. Fulfilling Other Social Responsibilities (continued)

(4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department (continued)

(ii) Xinbeijiang Pharmaceutical

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 Pharmaceutical	Chemical oxygen demand	Intermittent	1	Sewage treatment workshop	99.96	240	92.08	162.46	Nil
	Ammonia nitrogen				7.68	70	6.27	24.5	Nil

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

Construction and Operation of Pollution 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 3,000 t/d and adopt the treatment process of “Pre-treatment + Aerobic pool + Hydrolysis acidification tank + SBR + Catalytic oxidation + Air float”. In the first quarter of 2020, over RMB1 million was invested to re-modify the pretreatment process. At present, the treatment effect is satisfactory and the effluent emission remains stable. The treated sewage was discharged through the municipal pipeline network into Qingyuan Henghe Sewage Treatment Plant. In the third quarter of 2020, RMB1.5 million was invested to cover the SBR tank body. After the cover was added, the tail gas was connected to the new spray treatment facility for treatment and emitted after meeting the emission standards, which greatly improved the surrounding environment. The catalytic combustion equipment for VOC treatment which has been in use for many years was replaced, effectively improving the processing efficiency.

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. Various environment protection policies were strictly enforced.

XX. SOCIAL RESPONSIBILITY *(continued)***2. Fulfilling Other Social Responsibilities** *(continued)***(4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department** *(continued)***(ii) Xinbeijiang Pharmaceutical** *(continued)*

Environmental Emergency Contingency Plan:

Pursuant to relevant regulations and requirements, the "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》)" was prepared based on the principles of "Focus on Prevention, On-alert all the time; Management by Classification, Response by Tiers; Cooperation among Departments, Responsibility by Levels; Scientific Prevention and Efficient Disposal (預防為主，常備不懈；分類管理，分級回應；部門合作，分級負責；科學預防，高效處置)", which has been approved for filing approval and announced. The company conducted internal exercises regularly to identify environmental factors and sources of hazards, as well as drills on the emergency contingency plan. The environmental emergency contingency drill was conducted in December 2020 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 has been installed in accordance with the requirement of environmental assessment technical standards, while online monitoring equipment has passed the inspection and acceptance of the relevant environmental protection authorities and the connection between online information and national development platform and Qingyuan municipal platform has been completed. The automated monitoring equipment has been functioning properly and the monitoring information is accurate, valid and authentic. Information publicity website: www.livzon-nnr.com

XX. SOCIAL RESPONSIBILITY *(continued)***2. Fulfilling Other Social Responsibilities** *(continued)*

(4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department *(continued)*

(iii) 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)	Pollutant discharge standards implemented (mg/L)	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	Indirect	1	Wastewater treatment station	92.75	192	18.68	/	Nil
	Ammonia nitrogen (NH ₃ -N)				2.13	40	0.43	/	Nil
	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/m ³)	Pollutant discharge standards implemented (mg/m ³)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
	Sulphur dioxide	Organized continuous emission	3	Boiler room	4.63	50	0.13	/	Nil
	Nitrogen oxide	Organized continuous emission	3	Boiler room	69.97	150	1.99	/	Nil
	Particulate matter	Organized continuous emission	3	Boiler room	3.64	20	0.10	/	Nil
	Hydrogen chloride	Organized continuous emission	7	Workshop	2.29	100	0.97	/	Nil
	Non-methane hydrocarbons	Organized continuous emission	7	Workshop	16.13	60	7.22	77.76	Nil
	Non-methane hydrocarbons	Organized continuous emission	1	RTO	4.36	60	0.60		Nil
	Nitrogen oxide	Organized continuous emission	1	RTO	37.36	200	5.32	/	Nil
	Sulphur dioxide	Organized continuous emission	1	RTO	5.82	200	0.84	/	Nil

Note: 1. The discharge concentration of pollutants in waste water represents the average concentration by online monitoring from the master discharge outlet by the company into South District Sewage Treatment Plant, while the standard adopted for discharge represents the standard stipulated in the pollutant discharge license of the company, i.e. COD ≤ 192 mg/L, ammonia nitrogen ≤ 40 mg/L.

2. The discharge concentration of pollutants in the discharge outlet of waste gas represents the average concentration detected by a qualified third party engaged, of which the boiler exhaust adopted the Emission Standard for Boiler Atmospheric 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 workshop and waste gas in the wastewater treatment station comply with the Air Pollutant Discharge Standards for Pharmaceutical Industry (GB 37823-2019) (《製藥工業大氣污染物排放標準》(GB 37823-2019)).

XX. SOCIAL RESPONSIBILITY *(continued)***2. Fulfilling Other Social Responsibilities** *(continued)*

- (4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department** *(continued)*
- (iii) 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 emission of pollutants 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 blanket (UASB) + advanced oxidation + 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). In 2018, new investment in environmental protection projects amounted to RMB4.48 million, of which RMB3.20 million was invested in exhaust gas RTO incineration treatment. Cover and sealing were added to the anaerobic tower, CASS tower and other facilities at the environmental protection centre. In 2019, new investment of RMB0.45 million in additional air floatation device was made for water outflow from CASS to remove particulates, total phosphorus and colour, further reducing emission of pollutants. The hazardous wastes of the company were properly disposed in compliance with regulations by qualified companies engaged according to environmental assessment and acceptance inspection opinion. In 2020, RMB200,000 was invested to replace the integrated pool covers and reduce unorganized exhaust gas emission.

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. 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. After being approved of the application for a new national pollutant discharge license on 8 December 2017, the company strictly followed the licensing requirements for pollutant emission and strictly complied with various administrative requirements. The inspection and acceptance for clean production was approved on 21 December 2018. The integrated treatment on VOCs passed the “one policy for one enterprise” inspection and acceptance in November 2020. Change of pollutant discharge license was completed in December 2019. In July 2020, the self-monitoring program for pollutant discharge licenses was revised in accordance with the Technical Standards for Application and Issuance of Pollutant Discharge Licence for the Pharmaceutical Industry—Active Pharmaceutical Ingredient Manufacturing (《排污許可證申請與核發技術規範(製藥工業-原料藥製造)》), to strictly comply with various administrative requirements.

XX. SOCIAL RESPONSIBILITY *(continued)***2. Fulfilling Other Social Responsibilities** *(continued)*

- (4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department** *(continued)*
- (iii) 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 Licence 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.

(iv) 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	48.579	120	14.041	108	Nil
	Ammonia nitrogen				11.083	35	3.203	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.

XX. SOCIAL RESPONSIBILITY *(continued)***2. Fulfilling Other Social Responsibilities** *(continued)***(4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department** *(continued)***(iv) Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)** *(continued)*

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, initial investment of more than RMB3.00 million, adoption of the advanced “A/O + SBR + Fenton decolorizing + air flotation” sewage 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. So far, a further investment of nearly RMB1.00 million has been made successively 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 wastes of the company are entrusted to qualified companies for compliant disposal according to the requirements of environmental impact assessment and acceptance inspection opinions. In 2019, the company invested RMB340,000 for upgrading the treatment facilities of sewage and waste gases with adoption of “lye-spraying + UV photolysis + active carbon adsorption” process. The environmental emission was far below the emission limits after such upgrade. In 2020, RMB1 million was invested in the collection and treatment of exhaust gases in the refinery workshops.

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. After passing the application for a new pollutant discharge license from State authorities on 29 December 2017, the company strictly followed the licensing requirements for emissions of pollutants and strictly complied with various administrative requirements. The procedure for replacing the pollutant discharge license was completed in November 2020.

SECTION V. MAJOR EVENTS

XX. SOCIAL RESPONSIBILITY *(continued)*

2. Fulfilling Other Social Responsibilities *(continued)*

(4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department *(continued)*

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

Environmental Emergency Contingency Plan:

Pursuant to relevant provisions and requirements, the Environmental Emergency Contingency Plan of Gutian Fuxing Pharmaceutical Co., Ltd. (《古田福興醫藥有限公司突發環境事件應急預案》) was prepared based on the principles of "Focus on Prevention, Aim at Self-rescue, Centralised Command and Division of Responsibility (預防為主、自救為主、統一指揮、分工負責)". The contingency plan was approved in May 2017 with the file reference number 352200-2017-005-L. The second amendment of the contingency plan was made in June 2020, which passed expert review and completed filing, with the filing number 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 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.

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 Environment Protection Bureau and Gutian County Environmental 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 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. Information publicity website: <http://wryfb.fjemc.org.cn>.

XX. SOCIAL RESPONSIBILITY *(continued)***2. Fulfilling Other Social Responsibilities** *(continued)*

(4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department *(continued)*

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

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 Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	23.25	110	6.3	Nil	Nil
	Ammonia nitrogen				1.29	15	0.34	Nil	Nil

Note: the wastewater of Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠) was discharged into Shaoguan Second Sewage Treatment Plant (韶關市第二污水處理廠) and the standard adopted for pollutant discharge represented the standard stipulated in the pollutant discharge license of the company, i.e. COD ≤ 110mg/L, ammonia nitrogen ≤ 15mg/L, while the data detected by third party inspection firm was adopted as the discharge concentration.

Construction and Operation of Pollution 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 investment for sewage treatment facilities was over RMB13 million with designed processing capacity of 1,500t/d and adopted 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 exhaust gas treatment, biomass boilers were all replaced by gas boilers. In respect of control of noise pollution, RMB100,000 was invested 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 Research and Development 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, and 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. A new version of pollutant discharge license was obtained on 10 December 2019. 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.

SECTION V. MAJOR EVENTS

XX. SOCIAL RESPONSIBILITY *(continued)*

2. Fulfilling Other Social Responsibilities *(continued)*

(4) **The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department** *(continued)*

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

Environmental Emergency Contingency Plan:

The principles of occupational health and safe environment administrative system were followed, including occupational protection to ensure health, risk control to ensure safety, prevention and control of pollution to protect the environment, and compliance with discipline and law for continuous improvement. Identification of environmental factors was performed seriously and preventive measures were adopted for significant environmental factors, while the governance of the "Three Wastes" was strengthened to enhance the ability of control over the "Three Wastes" and ensure that the discharge of the "Three Wastes" had reached the discharge standards. The Emergency Contingency Plan for Occupational Health and Safety/ Environmental Administration System of Livzon Group Limin Pharmaceutical Manufacturing Factory (《麗珠集團利民製藥廠職業健康安全／環境管理體系事故專項應急處置方案》) was prepared in accordance with the criteria of both systems. The plan was issued in December 2018 with file reference number LZLMZY-02. According to the contingency plan, 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 monitoring every quarter, 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, ammonia nitrogen was completed in December 2020. Online data should be completed and filed to the Shaoguan Environmental Protection Bureau on a timely basis, and the relevant data would be announced to the public after being reviewed by and filing with the Shaoguan Environmental Protection Bureau.

XX. SOCIAL RESPONSIBILITY *(continued)***2. Fulfilling Other Social Responsibilities** *(continued)***(4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department** *(continued)***(vi) 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/m ³)	Pollutant discharge standards implemented (mg/m ³)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Pharmaceutical Factory	Sulphur dioxide	Organized continuous emission	1	Boiler room	ND (The concentration monitoring data is less than 3)	50	/	1.429	Nil
	Nitrogen oxide	Organized continuous emission	1	Boiler room	125	200	7.49	7.573	Nil
	Particulate matter	Organized continuous emission	1	Boiler room	ND (The concentration monitoring data is less than 1)	50	/	/	Nil

Note: The discharge concentration of pollutants in the discharge outlet of waste gas represents the average concentration detected by a qualified third party engaged, of which the boiler exhaust adopted the Emission Standard for Boiler Atmospheric 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)).

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 designed processing capacity of 1,000t/d, which adopted the CASS process for phase I and the AO process for phase II, and the sewage after treatment was discharged through the municipal pipeline network into sewage treatment plants. For waste gas: currently, gas boilers which use natural gas as energy were used to generate steam.

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 (麗珠集團麗珠製藥廠) 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 (麗珠集團麗珠製藥廠) was approved in November 2020. The company will strictly enforce the “Three Simultaneous” system to implement the environmental protection measures as required by environmental assessment.

XX. SOCIAL RESPONSIBILITY *(continued)***2. Fulfilling Other Social Responsibilities** *(continued)***(4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department** *(continued)***(vi) Pharmaceutical Factory** *(continued)*

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 prepared by the company, and has been approved for filing approval and announced, with the filing number 440404-2018-016-L. The drills on the emergency contingency plan were conducted on a regular basis, to enhance emergency response capabilities of staff, so as to alleviate or eliminate the consequences effectively.

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 every quarter, each time the monitoring would be conducted strictly in compliance with the relevant national requirements to ensure the accuracy, validity and authenticity of the monitoring data. The online sewage monitoring equipment is being installed and debugged.

(vii) Livzon Diagnostics

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 Diagnostics	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	8	500	0.36	/	Nil
	Ammonia nitrogen				0.15	/	0.00675	/	Nil

Note: Treated sewage was discharged into water purification plant in the south district of Zhuhai, the standard adopted for pollutant discharge represented the standard stipulated in the registration forms of pollutant discharge permit of the company, i.e. COD≤500mg/L, discharge concentration of ammonia nitrogen being unrestricted, while the average annual concentration detected by third party inspection firm was adopted as the discharge concentration.

XX. SOCIAL RESPONSIBILITY *(continued)***2. Fulfilling Other Social Responsibilities** *(continued)***(4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department** *(continued)***(vii) Livzon Diagnostics** *(continued)*

Construction and Operation of Pollution Preventive Facilities:

The “Three Simultaneous” system was strictly implemented by the company for the treatment of “Three Wastes”, and the company established its sewage treatment system, which commenced construction in 2017 and came into operation in 2018 after having completed the construction and passed the acceptance inspection. The treatment process included sedimentation tank, adjusting tank, anaerobic pool, contact oxidation, secondary sedimentation tank, etc., and treated sewage which reached the discharge standard was discharged through the municipal sewage pipeline into water purification plant in the south district. The hazardous wastes of the company are entrusted to qualified third-party companies for disposal.

Environmental Impact Assessment of Construction Projects and Other Environmental Protection Administrative Licensing:

The Environmental Impact Report on New Plant Project and Production Project (《新廠工程及生產工程環境影響報告書》) of the company was approved by Zhuhai Environment Protection Bureau in February 2018, and the environmental protection inspection for completion of construction was passed in mid-2018. In accordance with the requirements of the List of Classification and Management of Pollutant Discharge Permits for Fixed Pollution Sources (《固定污染源排污許可分類管理名錄》) (2019 Edition) and the Administrative Measures for Pollutant Discharge Permits (Trial) (《排污許可管理辦法(試行)》), its pollutant discharge licence was cancelled in 2020, and the pollutant discharge registration has been filed.

Environmental Emergency Contingency Plan:

The Environmental Emergency Contingency Plan of Zhuhai Livzon Diagnostics Inc. (《珠海麗珠試劑股份有限公司突發環境事件應急預案》) was prepared by the company, and has been approved for filing approval and announced. The drills on the emergency contingency plan were conducted on a regular basis, to enhance emergency response capabilities of staff, so as to alleviate or eliminate the consequences of incidents effectively.

Environmental Self-monitoring Program:

Inspection party with national qualification on inspection was engaged to conduct monitoring. The company carried out on-site testing for PH level, and appointed the inspection party to carry put quarterly monitoring on the water quality indicators, including chemical oxygen demand, ammonia nitrogen, suspension, etc., 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.

XX. SOCIAL RESPONSIBILITY *(continued)***2. Fulfilling Other Social Responsibilities** *(continued)***(4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department** *(continued)***(viii) Ningxia Pharmaceutical**

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
Ningxia Pharmaceutical	Chemical oxygen demand	Continuous	1	Sewage treatment workshop on north side of factory zone	102	200	116	247.71	Nil
	Ammonia nitrogen				0.43	25	0.46	61.93	Nil
	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/m ³)	Pollutant discharge standards implemented (mg/m ³)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
	Sulphur dioxide	Continuous	1	Boiler workshop on north side of factory zone	93	200	26.5	156.816	Nil
	Nitrogen oxide	Continuous			110	200	40.07	156.816	Nil
	Particulate matter	Continuous			13	30	3.87	23.522	Nil
	Volatile organic compounds	Continuous	10	Fermentation	11.4	120	21	78.81	Nil

Note: 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 pollutant discharge was the standard stipulated on the pollutant discharge license of the company and the amount of discharge was calculated by the amount received by Xin'an Company. The emission concentration of boiler exhaust gas represents the self-monitoring average concentration throughout the year, the standard adopted for discharge was the standard stipulated on 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 (VOCs) 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(GB37823-2019)(《製藥工業大氣污染物排放標準》(GB37823-2019)) and the amount of discharge was calculated by the amount of exhaust gas emissions and the discharge concentration recorded by the monitoring report.

XX. SOCIAL RESPONSIBILITY *(continued)***2. Fulfilling Other Social Responsibilities** *(continued)***(4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department** *(continued)***(viii) Ningxia Pharmaceutical** *(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 7,500m³/d (including one plant with capacity of 5,000m³/d and one plant with capacity of 2,500m³/d), and the actual total treatment amount was 3,100m³/d. After the wastewater had reached the standard stipulated on the pollutant discharge license, it would be discharged through the sewage pipeline network in the industrial park to Xin'an Company. The current treatment process for boiler flue gas adopted the technical processes of "Furnace combustion blended with limestone powder + bag filter + water film scrubber + alkali solution desulphurization + spray defogging". With effect from January 2018, the standard of special emission limit under the Emission Standard for Boiler Atmospheric Pollutants (《鍋爐大氣污染物排放標準》) (GB13271-2014) was implemented. In July 2019, the upgrading and transformation work for boiler exhaust gas treatment facilities was completed, which further stabilized the treatment effects of particulate matter. In 2020, a cover was installed to the sewage tank of 201-2 workshop to centralize the collection of exhaust gases for treatment; one spare exhaust gas collection fan was installed in the pre-aeration tank of the sewage workshop; exhaust gases from materials tanks in 203-1 workshop were centralized for collection and treatment; the gas inlet pipes in 202 workshop which are used for exhaust gas entering the boiler for combustion were replaced, and 1,000 trees were newly planted for greening project; while one set of exhaust gas treatment facility was installed to both 102 and 103 fermentation workshop; the exhaust gas treatment facility in 101 fermentation workshop was upgraded and transformed.

SECTION V. MAJOR EVENTS

XX. SOCIAL RESPONSIBILITY *(continued)*

2. Fulfilling Other Social Responsibilities *(continued)*

(4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department *(continued)*

(viii) Ningxia Pharmaceutical *(continued)*

Environmental Impact Assessment of Construction Projects and Other Environmental Protection Administrative Licensing:

The Environmental Impact Report on the Construction Project for Production of Biopharmaceuticals by Livzon Group Ningxia Fuxing Pharmaceutical Manufacturing Co., Ltd. (《麗珠集團寧夏福興製藥有限公司生物醫藥生產建設項目環境影響報告書》) was approved by the Environmental Protection Department of the Autonomous Region on 5 July 2012 and the environmental protection inspection for completion conducted by the Environmental Protection Department was passed on 8 May 2015. In April 2016, approval was obtained from Pingluo County for expansion and reconstruction of the production line with annual production capacity of 120 tonnes for Coenzyme Q10 products, and environmental protection inspection for completion conducted by Pingluo County was passed in March 2017. The Environmental Impact Report on the Construction Project for Production of Biopharmaceuticals by Livzon Group Ningxia Xinbeijiang Pharmaceutical Manufacturing Co., Ltd. (《麗珠集團寧夏新北江製藥有限公司生物醫藥生產建設項目環境影響報告書》) was approved on 5 July 2012 and the environmental protection inspection for completion was passed on 30 November 2015. In April 2016, approval was granted by the Environmental Protection Bureau of Pingluo County for expansion and reconstruction of the production line with annual production capacity of 360 tonnes of Hydrochloride Lincomycin (鹽酸林可霉素) products, and completion inspection conducted by the Environmental Protection Bureau of Pingluo County was passed in March 2017. In December 2018, approval was granted by the Environmental Protection Bureau of Pingluo County for the construction project of extraction workshop with annual production capacity of 210 tonnes of mycophenolic acid and 3 tonnes of doramectin, the environmental protection inspection for completion was passed in May 2019. On 30 December 2019, approval in respect of the environmental impact assessment for the construction of the project with additional annual production capacity of 160 tonnes of Mevastatin (美伐他汀) and 120 tonnes of Lovastatin (洛伐他汀) was granted by Ningxia Pingluo Industrial Park Management Committee. The demolition and inspection and acceptance of a 20t/h circulating fluidized bed coal-fired boiler of Livzon Group Ningxia Xinbeijiang Pharmaceutical Manufacturing Co., Ltd. (麗珠集團寧夏新北江製藥有限公司) was completed. The expert review for the environmental improvement project plan for 2019 of Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司) and the inspection and acceptance for the implementation thereof (including self-inspection and acceptance and inspection and acceptance by government authorities) were also completed. In June 2020, the environmental impact approval of the construction of the Doramectin (多拉菌素) production line technical transformation project approved by the Ningxia Pingluo Industrial Park Management Committee (寧夏平羅工業園區管委會) was passed. In July 2020, the environmental protection and acceptance inspection work for the completed projects with an annual additional output of 160 tonnes of Mevastatin (美伐他汀) and 120 tonnes of Lovastatin (洛伐他汀) were completed, and the outsourcing of recycling for mother solution of Phenylalanine (苯丙氨酸) was approved. In December 2020, the work for replacing the pollutant discharge license and the inspection and acceptance for clean production were completed. 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.

XX. SOCIAL RESPONSIBILITY *(continued)***2. Fulfilling Other Social Responsibilities** *(continued)***(4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department** *(continued)***(viii) Ningxia Pharmaceutical** *(continued)*

Environmental Emergency Contingency Plan:

Due to corporate merger, the Environmental Emergency Contingency Plan of Livzon Group Ningxia Fuxing Pharmaceutical Manufacturing Co., Ltd. (《麗珠集團寧夏福興製藥有限公司突發環境事件應急預案》) and the Environmental Emergency Contingency Plan of Livzon Group Ningxia Xinbeijiang Pharmaceutical Manufacturing Co., Ltd. (《麗珠集團寧夏新北江製藥有限公司突發環境事件應急預案》) were revised and recompiled, the contingency plans of these two companies were combined and amended to become 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》) which was issued after review and filing in May 2019 (filing reference number: 640221-2019-005-II). Identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on regular basis to improve the operability of the contingency plan, enhance the performance level of the emergency rescue staff, and enhance the responsiveness and coordination of the rescue team in terms of integrated coordination and collaboration capabilities.

Environmental Self-monitoring Program:

The company formulated the self-monitoring program for 2020, 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 exhaust gas emission, exhaust gas emission from boiler, waste water discharge, underground water, soil, plant boundary unorganized environmental air, noise and recycled water TOC, and volatile organic matter leak detection and repair (LDAR) work 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 information was accurate, valid and authentic.

XX. SOCIAL RESPONSIBILITY *(continued)***2. Fulfilling Other Social Responsibilities** *(continued)***(4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department** *(continued)***(ix) 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	104.2	220	10.35	60.8	Nil
	Ammonia-nitrogen				5.9	35	0.6	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 data are online monitoring data.

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 + anaerobic 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 exhaust gas: exhaust gases generated from technical process in the production zone would be collected and treated by adopting two sets of processes of “water spray + active carbon and -20℃ condensation + water spray + active carbon” and then discharged after reaching the required standard. For solid waste: hazardous solid wastes would be stored in the hazardous waste station constructed in compliance with the requirements of “Three Preventions” 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 wastes. 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 wastes on regular basis. Other general wastes 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, various environmental protection policies were strictly enforced and various management measures were implemented.

XX. SOCIAL RESPONSIBILITY *(continued)***2. Fulfilling Other Social Responsibilities** *(continued)***(4) The listed company and its subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department** *(continued)***(ix) 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 "Focus on Prevention, On-alert all the time, Management by Classification, Response by Tiers, Cooperation among Departments, Responsibility by Levels, Scientific Prevention and Efficient Disposal (預防為主，常備不懈；分類管理，分級響應；部門合作，分級負責；科學預防，高效處置)". The contingency plan was approved for announcement and filing in February 2018 (filing reference number: 4108042018005L). The Hazardous Waste Environmental Pollution Emergency Contingency Plan of Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《焦作麗珠合成製藥有限公司危險廢物環境污染事故應急預案》) was compiled and was approved for filing in January 2018. Identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on regular basis to improve the operability of the contingency plan, enhance the performance level of the emergency rescue staff, and enhance the responsiveness and coordination of the rescue team in terms of integrated coordination and collaboration capabilities. The company carried out emergency drills on environmental protection knowledge and policies and on distillation residue leak on 12 March 2020 and 20 June 2020, 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》) to enhance the environmental protection knowledge of staff, and the drills have complied with the procedures as required in the emergency plan.

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 automated monitoring equipment has been installed in accordance with the requirement of environmental assessment technical standards. In 2018, the online water quality monitoring equipment had passed the inspection and acceptance conducted by the competent environmental protection authorities and the connection between the online data and the municipal platform of Jiaozuo City was completed; the leak detection and repair (LDAR) of volatile organic compounds had commenced, and the automated monitoring equipment was under normal operation in 2020 and the data was accurate, valid and authentic.

XX. SOCIAL RESPONSIBILITY *(continued)*

Whether a social responsibility report has been published

☐ Yes ☒ No

The Company will publish the “Environmental, Social and Governance Report” within five months after the end of the financial year under the requirement of Appendix 27 of the Hong Kong Listing Rules.

XXI. OTHER SIGNIFICANT EVENTS

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

I. CHANGES IN SHARES

1. Changes in Shares

As at 31 December 2020, 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	Sub-total	Number	Percentage
I. Shares subject to selling restrictions	19,401,124	2.07%	+548,812	-290,894	+257,918	19,659,042	2.08%
1. Shares held by State Government							
2. Shares held by State-owned entities	17,306,329	1.85%	–	–	–	17,306,329	1.83%
3. Shares held by other domestic holders	2,094,795	0.22%	+518,392	-290,894	+227,498	2,322,293	0.25%
Including: Shares held by domestic entities							
Shares held by domestic natural persons	2,094,795	0.22%	+518,392	-290,894	+227,498	2,322,293	0.25%
4. Shares held by foreign holders	–	–	+30,420	–	+30,420	30,420	0.003%
Including: Shares held by foreign entities							
Shares held by foreign natural persons	–	–	+30,420	–	+30,420	30,420	0.003%
II. Shares not subject to selling restrictions	915,361,551	97.93%	+9,523,909	+290,894	+9,814,803	925,176,354	97.92%
1. Ordinary shares denominated in RMB	595,497,334	63.71%	+9,523,909	+290,894	+9,814,803	605,312,137	64.07%
2. Domestically listed foreign shares							
3. Overseas listed foreign shares	319,864,217	34.22%	–	–	–	319,864,217	33.85%
4. Others							
III. Total number of shares	934,762,675	100.00%	+10,072,721	–	+10,072,721	944,835,396	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 first exercise period and the second exercise period, and the reserved grant thereof was under the first exercise period, a total of 10,072,721 share options were exercised by the incentive participants (including the Directors and senior management of the Company) and the total number of shares of the Company increased by 10,072,721 shares accordingly. Among which, a total of 731,570 share options were exercised by the Directors and senior management of the Company, these share options were locked in proportion upon exercise, and therefore, the total number of shares subject to selling restrictions of the Company increased by 548,812 shares (including the locked up shares of Mr. Xu Peng, the newly appointed vice president during the Reporting Period, hence the number of shares subject to selling restrictions held by foreign natural persons increased by 30,420 shares). A total of 9,341,151 share options were exercised by other incentive participants, the relevant shares together with the outstanding shares upon the exercise of share options by the Directors and senior management of the Company were 9,523,909 shares in total, and therefore, the total number of shares not subject to selling restrictions of the Company increased by 9,523,909 shares.

I. CHANGES IN SHARES *(Continued)***1. Changes in Shares** *(Continued)***Reasons for changes in shares** *(Continued)*

Mr. Lu Wenqi resigned as a vice president of the Company in July 2018 and all the shares of the Company held by him were locked within six months from the date of his resignation. He shall continue to comply with relevant disposal restriction (i.e. disposing of no more than 25% of all the shares held by him each year) within his defined term of office and within six months after the expiry of his term of office. As at 29 December 2020, 290,894 restricted shares held by him were unlocked because of the expiration of six months after the expiry of term of office of senior management of the Company appointed by the ninth session of the Board of the Company, and therefore, the total number of shares subject to selling restrictions of the Company decreased by 290,894 shares.

Approval of changes in shares

☒ Applicable ☐ Not applicable

On 18 September 2019, the Resolution on Fulfillment of Exercise Conditions for the First Exercise Period of the First Grant under the 2018 Share Options Incentive Scheme of the Company was considered and approved at the thirty-second meeting of the ninth session of the Board, which resolved that the exercise conditions for the first exercise period of the first grant under the 2018 Share Options Incentive Scheme of the Company had been achieved, and agreed that the 1,033 incentive participants who had fulfilled the exercise conditions might exercise their 8,985,262 share options in the first exercise period at the exercise price of RMB36.16 per A share.

On 23 October 2020, the Resolution on Fulfillment of Exercise Conditions for the Second 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 First Exercise Period of the Reserved Grant under the 2018 Share Options Incentive Scheme of the Company were considered and approved at the fourth meeting of the tenth session of the Board, which resolved that the exercise conditions for the second exercise period of the first grant under the 2018 Share Options Incentive Scheme of the Company had been achieved, and agreed that the 904 incentive participants who had fulfilled the exercise conditions might exercise their 5,970,557 share options in the second exercise period at the exercise price of RMB36.16 per A share. The exercise conditions for the first exercise period of the reserved grant under the 2018 Share Options Incentive Scheme of the Company had been achieved, and agreed that the 157 incentive participants who had fulfilled the exercise conditions might exercise their 1,107,300 share options in the first exercise period at the exercise price of RMB28.87 per A share.

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 "XVIII. REPURCHASE, SALE OR REDEMPTION OF SECURITIES" in Section IV of this Report for relevant information.

Progress of the implementation of sale of repurchased share through centralized price 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 asset value per share attributable to the ordinary Shareholders of the Company

☐ Applicable ☒ Not applicable

Other information considered necessary by the Company or required by securities regulators to be disclosed

☐ Applicable ☒ Not applicable

I. 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
Tao Desheng (陶德勝)	454,762	–	76,050	530,812	Locked shares held by the senior management	N/A
Xu Guoxiang (徐國祥)	454,762	–	76,050	530,812	Locked shares held by the senior management	N/A
Tang Yanggang (唐陽剛)	152,252	–	106,470	258,722	Locked shares held by the senior management	N/A
Yang Daihong (楊代宏)	290,894	–	60,840	351,734	Locked shares held by the senior management	N/A
Xu Peng (徐朋) ^{Note 2}	–	–	30,420	30,420	Locked shares held by the senior management	N/A
Si Yanxia (司燕霞)	196,862	–	60,825	257,687	Locked shares held by the senior management	N/A
Zhou Peng (周鵬)	124,923	–	40,560	165,483	Locked shares held by the senior management	N/A
Huang Yuxuan (黃瑜璇)	39,381	–	35,490	74,871	Locked shares held by the senior management	N/A
Yang Liang (楊亮)	90,065	–	62,107	152,172	Locked shares held by the senior management	N/A
Lu Wenqi (陸文岐)	290,894	290,894	–	–	Locked Shares held by the senior management	29 December 2020
Total	19,401,124	290,894	548,812	19,659,042	–	–

Notes:

1. 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.
2. On 20 April 2020, as considered and approved by the Board of the Company, Mr. Xu Peng was appointed as a vice president of the Company, and his exercisable share options for the Year were locked in proportion accordingly.
3. Mr. Lu Wenqi resigned as a vice president of the Company in July 2018 and all the shares of the Company held by him were locked within six months from the date of his resignation. He shall continue to comply with relevant disposal restriction (i.e. disposing of no more than 25% of all the shares held by him each year) within his defined term of office and within six months after the expiry of his term of office. As at 29 December 2020, restricted shares held by him were unlocked because of the expiration of six months after the expiry of term of office of senior management of the Company appointed by the ninth session of the Board of the Company.

I. CHANGES IN SHARES *(Continued)***3. Sufficient Public Float**

Based on the information publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained a sufficient public float as required by the Hong Kong Listing Rules as at the latest practicable date preceding the publication date of the Report.

II. ISSUE AND LISTING OF SECURITIES**Issue of securities (excluding preferred shares) during the Year**

☐ Applicable ☒ Not applicable

Changes in the total number of shares, the shareholdings and the asset and liability structure of the Company

☒ Applicable ☐ Not applicable

Please see section VI "Changes in Shares" of the Report for details.

Existing Staff Shares

☐ Applicable ☒ Not applicable

III. SHAREHOLDERS AND ULTIMATE BENEFICIAL OWNER

1. Number and Shareholdings of Shareholders of the Company

Total number of ordinary Shareholders as at the End of the Reporting Period	57,205, including 57,182 A Shareholders and 23 H Shareholders	Total number of ordinary Shareholders as at the end of the month prior to the disclosure date of the annual report	64,211, including 64,188 A Shareholders and 23 H Shareholders	Total number of preferential shareholders with voting rights resumed at the End of the Reporting Period (if any)	0	Total number of preferential Shareholders with voting rights resumed as at the end of the month prior to the disclosure date of the annual report (if any)	0

Shareholders holding more than 5% shares or shareholdings of the top 10 shareholders

Name of Shareholder (full name)	Nature of Shareholder	Class of Shares	Shareholding percentage	Number of Shares held at the End of the Period (shares)	Change during the Reporting Period (shares)	Number of Shares with selling restriction (shares)	Number of Shares without selling restrictions (shares)	Pledge or lock-up Share status	lock-up Number
HKSCC Nominees Limited ^(Note 2)	Foreign entity	H Share	33.84%	319,738,817	+4,000	—	319,738,817	—	—
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Domestic non-state owned entity	A Share	23.43%	221,376,789	—	—	221,376,789	—	—
Hong Kong Securities Clearing Company Limited	Foreign entity	A Share	2.86%	27,041,883	+7,776,667	—	27,041,883	—	—
Guangzhou Begol Trading Holdings Limited (廣州市保科力貿易公司)	State owned entity	A Share	1.83%	17,306,329	—	17,306,329	—	Pledged and locked up	17,306,329
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Domestic non-state owned entity	A Share	1.78%	16,830,835	—	—	16,830,835	—	—
Central Huijin Investment Company Limited (中央匯金資產管理有限責任公司)	State owned entity	A Share	1.28%	12,056,741	—	—	12,056,741	—	—
China Merchants Bank Co., Ltd. – Penghua Emerging Industry Hybrid Securities Investment Fund (招商銀行股份有限公司—騰華新興產業混合型證券投資基金)	Others	A Share	1.00%	9,483,826	—	—	9,483,826	—	—

III. SHAREHOLDERS AND ULTIMATE BENEFICIAL OWNER (Continued)

1. Number and Shareholdings of Shareholders of the Company (Continued)

Shareholders holding more than 5% shares or shareholdings of the top 10 shareholders									
Name of Shareholder (full name)	Nature of Shareholder	Class of Shares	Shareholding percentage	Number of Shares held at the End of the Period (shares)	Change during the Reporting Period (shares)	Number of Shares with selling restriction (shares)	Number of Shares without selling restrictions (shares)	Pledge or lock-up Share status	Number
China Construction Bank Corporation-Anxin Value Select Stock Securities Investment Fund (中國建設銀行股份有 限公司—安信價值精選股票 型證券投資基金)	Others	A Share	0.77%	7,277,818	-681,003	—	7,277,818	—	—
Macao Monetary Authority – Internal Funds (澳門金融管 理局—自有資金)	Foreign entity	A Share	0.69%	6,551,727	+4,363,169	—	6,551,727	—	—
Livzon Pharmaceutical Group Inc. Special Securities Account for Repurchases (麗珠醫藥集團 股份有限公司回購專用證券 賬戶) ^(Note 3)	Domestic non-state owned entity	A Share	0.64%	6,093,808	—	—	6,093,808	—	—
Description of strategic investors or general legal persons who became Top 10 Shareholders through placement of new shares (if any)	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 the Takeover of Listed Companies (《上市公司收購管理辦法》).								

III. SHAREHOLDERS AND ULTIMATE BENEFICIAL OWNER (Continued)

1. Number and Shareholdings of Shareholders of the Company (Continued)

Shareholdings of top 10 ordinary shareholders not subject to selling restrictions

Name of Shareholder	Number of shares not subject to selling restrictions at the End of Shares the Year (Shares)	Shares	
		Class	Number (Shares)
HKSCC Nominees Limited	319,738,817	Overseas listed foreign shares	319,738,817
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	221,376,789	Ordinary shares denominated in RMB	221,376,789
Hong Kong Securities Clearing Company Limited	27,041,883	Ordinary shares denominated in RMB	27,041,883
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	16,830,835	Ordinary shares denominated in RMB	16,830,835
Central Huijin Investment Company Limited (中央匯金資產管理有限責任公司)	12,056,741	Ordinary shares denominated in RMB	12,056,741
China Merchants Bank Co., Ltd. – Penghua Emerging Industry Hybrid Securities Investment Fund (招商銀行股份有限公司－鵬華新興產業混合型證券投資基金)	9,483,826	Ordinary shares denominated in RMB	9,483,826
China Construction Bank Corporation-Anxin Value Select Stock Securities Investment Fund (中國建設銀行股份有限公司－安信價值精選股票型證券投資基金)	7,277,818	Ordinary shares denominated in RMB	7,277,818
Macao Monetary Authority – Internal Funds (澳門金融管理局－自有資金)	6,551,727	Ordinary shares denominated in RMB	6,551,727
Livzon Pharmaceutical Group Inc. Special Securities Account for Repurchases (麗珠醫藥集團股份有限公司回購專用證券賬戶) ^(Note 3)	6,093,808	Ordinary shares denominated in RMB	6,093,808
National Social Security Fund 108 (全國社保基金一零八組合)	5,661,133	Ordinary shares denominated in RMB	5,661,133

Description of connection or acting-in-concert relationship among the top 10 Shareholders not subject to selling restrictions themselves and between the top 10 Shareholders not subject to selling restrictions and the top 10 Shareholders

(1) On 2 January 2004, Joincare and Begol entered into a Share Transfer and Custody Agreement and a Share Pledge Agreement, pursuant to which the 6,059,428 shares of the Company held by Begol as domestic entity (the number of shares was increased to 7,877,256 shares after the Company's implementation of 2014 Equity Distribution, the number of shares was increased to 10,240,432 shares after the Company's implementation of 2016 Equity Distribution, the number of shares was increased to 13,312,561 shares after the Company's implementation of 2017 Equity Distribution and the number of shares was increased to 17,306,329 shares after the Company's implementation of 2018 Equity Distribution) were directly transferred, entrusted and pledged to Joincare; (2) Haibin Pharma was a subsidiary directly and indirectly owned by Joincare as to 100% equity interest; (3) the Company was not aware whether the other Shareholders mentioned above are related parties or persons acting-in-concert as defined in the Administrative Measures for the Takeover of Listed Companies (《上市公司收購管理辦法》).

Description of the top 10 ordinary Shareholders involved in the margin financing and securities lending business (if any)

Not Applicable

Notes:

- The shareholdings of the above top 10 Shareholders were based on the register of Shareholders as at 31 December 2020, provided by CSDCC and Tricor Investors Services Limited in Hong Kong.
- HKSCC Nominees Limited is a nominee holder of H Shares of the Company, and the Company cannot ascertain whether such H Shares are subject to any pledge or lock-up, and such shareholdings held by HKSCC Nominees Limited as nominee included 163,364,672 H Shares held by Topsino, which was a wholly-owned subsidiary of Joincare, the controlling Shareholder of the Company.
- Cancellation of these shares was completed on 29 January 2021.

Whether any of the top 10 ordinary Shareholders and the top 10 ordinary Shareholders not subject to selling restrictions of the Company conducted any transactions on agreed repurchases during the Reporting Period

☐ Yes ☒ Not

The top 10 ordinary Shareholders and the top 10 ordinary Shareholders not subject to selling restrictions of the Company did not conduct any transactions on agreed repurchases during the Reporting Period.

III. SHAREHOLDERS AND ULTIMATE BENEFICIAL OWNER *(Continued)*

2. Controlling Shareholder of the Company

Name of Controlling Shareholder	Legal representative/responsible person	Date of establishment	Unified social credit code	Registered capital	Principal activities
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Zhu Baoguo (朱保國)	18 December 1992	91440300618874367T	RMB1,952,780,764	Research and development of medicines, Chinese medicines, chemical APIs, chemical drug preparation products, antibiotics APIs and their preparations (exclusive of research and development of state protected resources for Chinese herbal medicines, secret recipe of Chinese medicines), wholesale, import and export and related supplementary businesses (except the commodities not involved in the management of state-owned trade, and goods that are subject to quota, license management and other special regulations, applications should be processed in accordance with relevant national regulations), research and development of food, health food and cosmetics; sales of pre-packaged food (excluding frozen food), sales of special food (sales of health food, sales of special medical formula food), research & development and sales of class I and II medical devices.
Controlling Shareholders' equity interests in other controlled and invested companies whose shares are listed domestic or overseas during the Reporting Period			Joincare (Stock Abbreviation: Joincare and Stock Code: 600380) is listed on the Shanghai Stock Exchange and please see the full text of annual report for 2020 of Joincare as disclosed in the website of the Shanghai Stock Exchange (www.sse.com.cn) for more details about its operating results, financial position, cash flow and future development strategy.		

Change in controlling Shareholder during the Year

☐ Applicable ☒ Not applicable

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

3. Ultimate Beneficial Owner of the Company

Name of the ultimate beneficial owner	Nationality	Whether obtaining any right of residence of other countries or regions
Zhu Baoguo (朱保國)	China	No
Careers and duties	Please refer to Section IX "Directors, Supervisors and Senior Management" of this Report for details.	
Domestic and overseas listed companies controlled over the past ten years	Joincare (健康元)	

Change in the ultimate beneficial owner during the Year

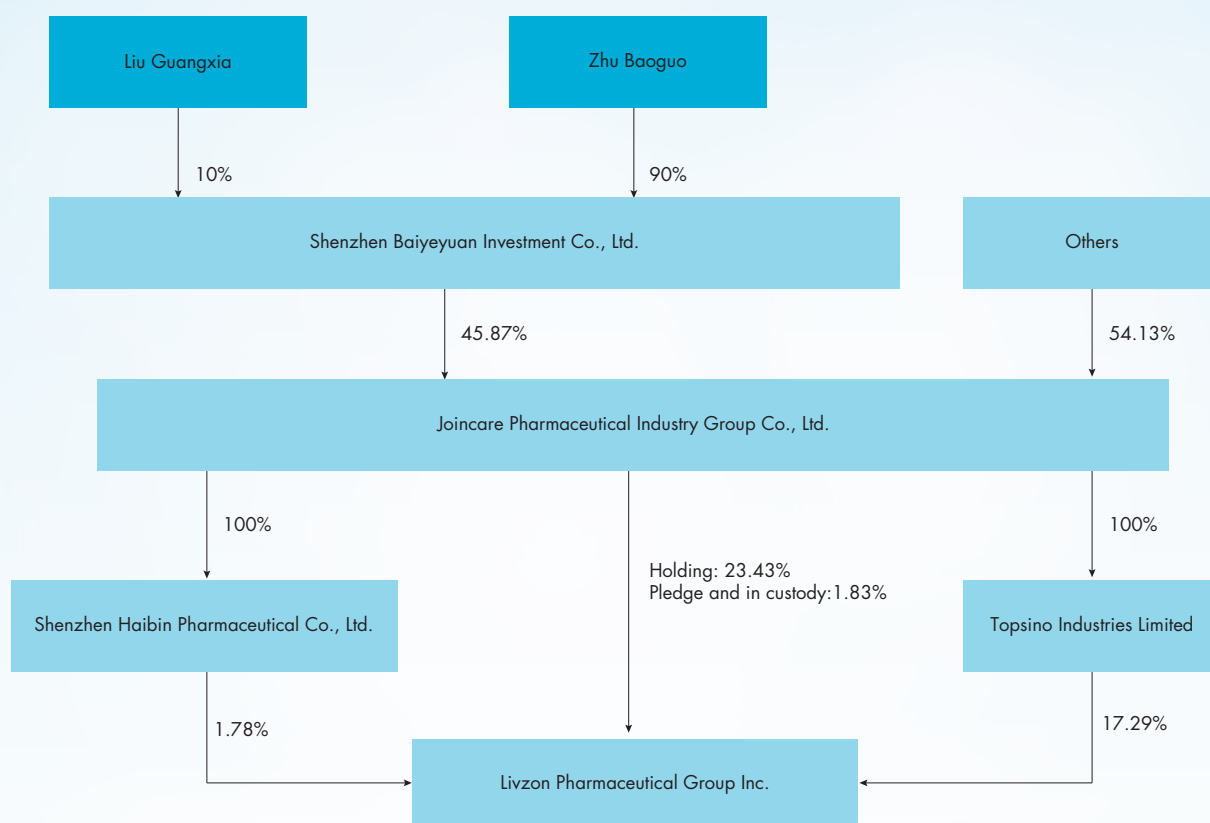
☐ Applicable ☒ Not applicable

There was no change in the ultimate beneficial owner of the Company during the Year.

III. SHAREHOLDERS AND ULTIMATE BENEFICIAL OWNER *(Continued)*

3. Ultimate Beneficial Owner of the Company *(Continued)*

Structure chart on ownership and controlling relationship between the Company and its ultimate beneficial owner as at the End of the Year



Notes:

1. Zhu Baoguo (朱保國) is the spouse of Liu Guangxia (劉廣霞).
2. The first exercise period and the second exercise period under the first grant of 2018 share options incentive scheme of Joicare were from 21 December 2019 to 20 December 2020, and from 21 December 2020 to 20 December 2021, respectively, while the first exercise period under the reserved grant was from 23 September 2020 to 22 September 2021, hence the share capital of Joicare changed to 1,952,780,764 shares as at 31 December 2020. During the period from 13 May 2020 to 23 November 2020, the holders of 2019 Non-public Issuance of Convertible Bonds of Baiyeyuan (First Tranche) exercised their rights of share conversion, which resulted in a decline in the number of shares in Joicare held by Baiyeyuan from 980,458,782 shares to 895,653,653 shares. Therefore, the shareholding in Joicare held by Baiyeyuan reduced from 50.59% to 45.87%.

Companies controlled by the ultimate beneficial owner via trust or through other asset management methods

☐ Applicable ☒ Not applicable

III. SHAREHOLDERS AND ULTIMATE BENEFICIAL OWNER *(Continued)***4. Other legal shareholders with a shareholding of more than 10%**

☐ Applicable ☒ Not applicable

5. Restrictions to reduction in shareholdings for controlling shareholders, ultimate beneficial owners, re-organization parties and other commitment bodies

☐ Applicable ☒ Not applicable

IV. AS AT 31 DECEMBER 2020, 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	40.88%	27.04%
	Interest of controlled corporations	163,364,672 H Shares ⁽²⁾	Long position	51.07%	17.29%
Ms. Liu Guangxia (劉廣霞女士)	Interest of Spouse	255,513,953 A Shares ⁽³⁾	Long position	40.88%	27.04%
		163,364,672 H Shares ⁽³⁾	Long position	51.07%	17.29%
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		40.88%	27.04%
	Interest of controlled corporations	163,364,672 H Shares ⁽²⁾	Long position	51.07%	17.29%
Topsino	Beneficial owner	163,364,672 H Shares	Long position	51.07%	17.29%

Notes:

- (1) Among these shares, 238,683,118 shares and 16,830,835 shares are directly held by Joincare and its wholly-owned subsidiary, Haibin Pharma, respectively.
- (2) These shares are 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 are 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.

☐ Applicable ☒ Not applicable

The Company had no preferred shares during the Year.

SECTION VIII CONVERTIBLE BONDS

☐ Applicable ☒ Not applicable

The Company had no convertible bonds during the Year.

SECTION IX DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

✓ Applicable ☐ Not applicable

Name	Position	Status of office	Number of shares held at the Beginning of the Period (shares)	Increase in shareholdings during the Period (shares)	Decrease in shareholdings during the Period (shares)	Other changes (shares)	Number of shares held at the End of the Period (shares)
Tao Desheng (陶德勝)	Vice Chairman, Non-executive Director	Current	606,350	–	–	101,400	707,750
Xu Guoxiang (徐國祥)	Vice Chairman, Executive Director, Vice President	Current	606,350	–	–	101,400	707,750
Tang Yanggang (唐陽剛)	Executive Director, President	Current	203,003	–	–	141,960	344,963
Yang Daihong (楊代宏)	Vice President	Current	387,859	–	–	81,120	468,979
Si Yanxia (司燕霞)	Vice President	Current	262,483	–	–	81,100	343,583
Zhou Peng (周鵬)	Vice President	Current	166,564	–	–	54,080	220,644
Huang Yuxuan (黃瑜璇)	Vice President	Current	52,508	–	–	47,320	99,828
Xu Peng (徐朋)	Vice President	Current	–	–	–	40,560	40,560
Yang Liang (楊亮)	Secretary to the Board, Vice President	Current	120,087	–	–	82,810	202,897
Dai Weiguo (戴衛國)	Vice President	Resigned	–	–	–	–	–
Total			2,405,204	–	–	731,750	3,136,954

Note: The number of shares held at the End of the Period by some Directors and senior management officers increased as a result of the exercise of share options during the Reporting Period.

I. CHANGES IN SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

1. As at 31 December 2020, 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 <i>(Long position)</i>	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 (朱保國先生)	Interest of controlled corporation	255,513,953 A Shares ^{(1) (2)} 163,364,672 H Shares ^{(1) (3)}	40.88% 51.07%	27.04% 17.29%
Mr. Tao Desheng (陶德勝先生)	Beneficial owner Interest of spouse	859,850 A Shares ^{(4) (21)} 207,646 A Shares ^{(5) (6) (21)} 1,067,496 A Shares	0.17%	0.11%
Mr. Xu Guoxiang (徐國祥先生)	Beneficial owner	859,850 A Shares ^{(7) (21)}	0.14%	0.09%
Mr. Tang Yanggang (唐陽剛先生)	Beneficial owner	405,803 A Shares ^{(8) (21)}	0.06%	0.04%

Interest in shares of associated corporations of the Company

Name of director	Name of associated corporation	Capacity	Equity interest/number of shares <i>(Long position)</i>	As a percentage of the equity interest of associated corporation
Mr. Zhu Baoguo (朱保國先生)	Baiyeyuan	Beneficial owner	72,000,000 (RMB)	90.00%
	Joincare	Interest of controlled corporations	895,653,653 shares ⁽⁹⁾	45.87%
	Livzon Biologics ⁽¹⁰⁾	Interest of controlled corporations	49,000,000 shares ^{(1) (11)}	39.33% ⁽¹⁴⁾
	Livzon HK ⁽¹⁰⁾	Interest of controlled corporations	4,001 shares ^{(1) (12)}	100.00% ⁽¹⁰⁾
	LivzonBio ⁽¹⁰⁾	Interest of controlled corporations	250,000,000 (RMB) ^{(1) (13)}	100.00% ⁽¹⁰⁾
	Livzon MAB ⁽¹⁰⁾	Interest of controlled corporations	1,453,330,000 (RMB) ^{(1) (13)}	100.00% ⁽¹⁰⁾
Mr. Tang Yanggang (唐陽剛先生)	Xinbeijiang Pharmaceutica ⁽¹⁵⁾	Interest of controlled corporations	20,238,780 shares ⁽¹⁵⁾	8.44%
	Livzon Diagnostics ⁽¹⁶⁾	Interest of controlled corporations	8,382,100 shares ⁽¹⁶⁾	9.03%
Mr. Qiu Qingfeng (邱慶豐先生)	Joincare	Beneficial owner	717,409 shares ⁽¹⁸⁾	0.04%
Mr. Xu Guoxiang (徐國祥先生)	Livzon Diagnostics ⁽¹⁷⁾	Others	500,000 shares ⁽¹⁷⁾	0.54%
Mr. Yu Xiong (俞雄先生)	Joincare	Beneficial owner	800,000 shares ⁽¹⁹⁾	
		Interest of spouse	3,720 shares ⁽²⁰⁾	
			803,720 shares	0.04%

SECTION IX DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES IN SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

1. **As at 31 December 2020, 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) Joicare is 45.87% held by Baiyeyuan which is in turn 90% held by Mr. Zhu Baoguo. Mr. Zhu Baoguo is deemed to be interested in the shares of the Company and the equity interest of its associated corporations in which Joicare is or is 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 Joicare in accordance with the Share Transfer, Custody and Pledge Agreement entered into among three parties, namely Begol, Joicare and Zhuhai Lishi Investment Co., Ltd., on 2 January 2004, and the Share Transfer and Custody Agreement and the Share Pledge Agreement entered into between Begol and Joicare) and 16,830,835 shares are held directly by Joicare and its wholly-owned subsidiary, Haibin Pharma, respectively.
- (3) These shares are held directly by Topsino, a wholly-owned subsidiary of Joicare.
- (4) These shares include 152,100 share options, which are able to subscribe for 152,100 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.
- (5) These shares include 60,840 share options, which are able to subscribe for 60,840 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.
- (6) As these shares and underlying shares are held directly by Ms. Hou Xuemei, the spouse of Mr. Tao Desheng, Mr. Tao Desheng is deemed to be interested in these shares and underlying shares.
- (7) These shares include 152,100 share options, which are able to subscribe for 152,100 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.
- (8) These shares include 60,840 share options, which are able to subscribe for 60,840 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.
- (9) During the period from 13 May 2020 to 23 November 2020, the holders of 2019 Non-public Issuance of Convertible Bonds of Baiyeyuan (First Tranche) exercised their rights of share conversion, which resulted in a decrease in the number of shares in Joicare held by Baiyeyuan from 980,458,782 shares to 895,653,653 shares. Therefore, the shareholding in Joicare held by Baiyeyuan reduced from 50.59% to 45.87%.

I. CHANGES IN SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

1. As at 31 December 2020, 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)*

- (10) Joincare BVI is indirectly held as to 100% by Joincare. Livzon Biologics is directly held as to 35.75% by Joincare BVI; Livzon HK is directly held as to 100% by Livzon Biologics; LivzonBio and Livzon MAB are directly held as to 100% by Livzon HK.
- (11) These shares are held by Joincare BVI.
- (12) These shares are held by Livzon Biologics.
- (13) These equity interests are held by Livzon HK.
- (14) Joincare BVI holds 49,000,000 ordinary shares of Livzon Biologics, which is 39.33% of all the issued ordinary shares and 35.75% of all the issued shares (including ordinary shares and series A preferred shares) of Livzon Biologics.
- (15) Xinbeijiang Pharmaceutical is 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 is in turn directly held as to 45.50% by Mr. Tang Yanggang.
- (16) Livzon Diagnostics is directly held as to 39.425% by the Company, and as to 9.025% (i.e. 8,382,100 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 is a general partner of Liying who directly holds 19.9234% equity interest in Liying and has sole discretion to decide all matters of Liying.
- (17) Mr. Xu Guoxiang directly holds 5.9651% equity interest in Liying, and therefore Livzon Diagnostics is indirectly held as to 0.54% by Mr. Xu Guoxiang.
- (18) These shares include 360,000 share options, which are able to subscribe for 360,000 A shares of Joincare pursuant to the 2018 share options incentive scheme of Joincare.
- (19) These shares include 370,000 share options, which are able to subscribe for 370,000 A shares of Joincare pursuant to the 2018 share options incentive scheme of Joincare.
- (20) As these shares are held directly by Ms. Qian Lingyun (錢凌雲女士), the spouse of Mr. Yu Xiong, hence Mr. Yu Xiong is deemed to be interested in these shares.
- (21) For details of the aforesaid 2018 Share Options Incentive Scheme, please refer to the relevant information of the "Share Options Incentive Scheme" in Section IV of the Report.

SECTION IX DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Name	Position	Type	Date	Reason
Xu Peng (徐朋)	Vice President	Appointed	20 April 2020	Appointed as a vice president of the Company after consideration and approval by the Board of the Company.
Dai Weiguo (戴衛國)	Vice President	Resigned	29 May 2020	Resigned voluntarily as the vice president of the Company and all positions in subsidiaries due to personal family and development reasons.
Bai Hua (白華)	Independent Non-executive Director	Appointed	30 June 2020	Appointed as an independent non-executive Director of the Company after consideration and approval by the 2020 third extraordinary general meeting of the Company.
Yu Xiong (俞雄)	Non-executive Director	Appointed	30 June 2020	Appointed as a non-executive Director of the Company after consideration and approval by the 2020 third extraordinary general meeting of the Company.
Yang Liang (楊亮)	Vice President	Appointed	30 June 2020	Appointed as a vice president of the Company after consideration and approval by the Board of the Company.
Xu Yanjun (徐焱軍)	Independent Non-executive Director	Retired	30 June 2020	Retired as an independent non-executive Director of the Company after expiration of his term of office as a Director for 6 years.

III. POSITIONS HELD

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

1. Brief Biographies of Executive Directors

Mr. Tang Yanggang (唐陽剛), aged 51, is currently our executive Director, the president, a member of the Strategy Committee and the Environmental, Social and Governance Committee and the authorised representative of the Company under Rule 3.05 of the Hong Kong Listing Rules and also serves as a director in other subsidiaries of the Group. Mr. Tang graduated from Sichuan University (四川大學) with a bachelor degree in microbiology in 1992 and is a senior pharmaceutical engineer. In 2008, he joined Xinbeijiang Pharmaceutical, where he served as technical director, general manager, chairman of the board and secretary to the party committee. Since July 2015, he has been the chairman of the board of director of Xinbeijiang Pharmaceutical. From July 2015 to October 2020, he served as the general manager of the API business department of the Company. He is also a vice president of Qingyuan Federation of Industry and Commerce, a member of the Qingyuan Municipal Political Consultative Conference, vice chairman of Qingyuan Entrepreneur Association, vice chairman of Guangdong Pharmaceutical Association and vice chairman of China Association of Traditional Chinese Medicine. Mr. Tang was the executive vice president of the Company from July to December 2018, and has been the president of the Company since December 2018. Mr. Tang has been the executive Director of the Company since February 2019.

III. POSITIONS HELD *(Continued)*

1. Brief Biographies of Executive Directors *(Continued)*

Mr. Xu Guoxiang (徐國祥), aged 58, is currently our executive Director, vice chairman and vice president, and also serves as a director in other subsidiaries of the Group. From November 2010 to November 2011, Mr. Xu attended an advanced EMBA course in the PRC's pharmaceutical industry organised by the Medical School of Peking University (北京大學醫學部) and obtained a completion certificate. From 2000 to 2005, Mr. Xu was a director of Yangtze River Pharmaceutical Co., Ltd. (揚子江製藥股份有限公司). In March 2007, he was the chief sale supervisor of the Company and the general manager of our branch company in Henan Province. Mr. Xu has been the vice president of the Company since December 2007. He has been a director of Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司) since April 2020. He is currently the vice chairman of China Association of Pharmaceutical Commerce, the standing council member of the Chinese Hospital Association and the council member of the Bethune Charitable Foundation. Since June 2017, he has been the executive Director of the Company.

2. Brief Biographies of Non-Executive Directors

Mr. Zhu Baoguo (朱保國), aged 58, is currently the chairman, non-executive Director, the chairman of the Strategic Committee and the Environmental, Social and Governance Committee of the Company, and also serves as a director in other subsidiaries of the Group. Mr. Zhu obtained his bachelor's degree from the school of chemistry of Henan Normal University (河南師範大學) in 1985. Since 2002, Mr. Zhu has been the chairman of the Board and from April 2006 to September 2013, he also served as the president of the Company. Mr. Zhu Baoguo is the founder of Joicare, and is currently the chairman of Joicare. Since November 2014, he has been honorary vice president of Shenzhen General Chamber of Commerce (深圳市工商聯(總商會)). Since December 2012, Mr. Zhu has been a council member and secretary-general of the Nature Conservancy (TNC) Great China Council (大自然保護協會(TNC)大中華理事會). Since April 2015, Mr. Zhu has been the chairman of the Paradise International Foundation (桃花源生態保護基金會). Mr. Zhu Baoguo is the spouse of Ms. Liu Guangxia (劉廣霞女士), one of our controlling shareholders.

Mr. Tao Desheng (陶德勝), aged 56, joined the Company in 1985 and is currently the non-executive Director, vice chairman and a member of the Strategic Committee, the Nomination Committee and the Remuneration and Assessment Committee of the Company, and also serves as a director in other subsidiaries of the Group. Mr. Tao graduated from the school of pharmaceutical chemistry of China Pharmaceutical University (南京藥學院) with a bachelor's degree in science. From 2000 to 2002, Mr. Tao attended a graduate course in enterprise management organised by Sun Yat-Sen Business School (中山大學管理學院). Mr. Tao obtained his license in pharmacist qualification in October 2002 and the title of senior engineer in pharmaceutical manufacturing (professor) in 2013. Mr. Tao was the vice president and president of the Company from June 2005 to March 2014 and from March 2014 to December 2018, respectively. He was our executive Director from July 2009 to December 2018. Mr. Tao has been the vice chairman of the Company since August 2014.

Mr. Qiu Qingfeng (邱慶豐), aged 49, is currently the non-executive Director of the Company. Mr. Qiu obtained his EMBA from China Europe International Business School (中歐國際工商學院) in September 2007. He is a non-practicing member of the Chinese Institute of Certified Public Accountants. Mr. Qiu joined Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司) in 1996. Mr. Qiu has been a director of Joicare since August 2009 and has been a vice president and the chief financial officer of Joicare since November 2020. Mr. Qiu was the Supervisor and the chief Supervisor of the Company from June 2005 to April 2007. Mr. Qiu has been the non-executive Director of the Company since April 2007.

III. POSITIONS HELD *(Continued)***2. Brief Biographies of Non-Executive Directors** *(Continued)*

Mr. Yu Xiong (俞雄先生), aged 60, is currently the non-executive Director of the Company. He is a researcher, Bachelor of Science from Fudan University (復旦大學). In 2004, Mr. Yu completed a short program on modern business management at the Catholic University of Leuven (魯文大學) in Belgium; from July 2005 to January 2006, he had been a senior visiting scholar at California State University, Northridge (美國加州州立大學北嶺分校). He was a director and deputy dean of the Chemistry Department of Shanghai Pharmaceutical Industry Research Institute, deputy dean of China National Pharmaceutical Industry Research Institute. He served as a director of Shanghai Shyndec Pharmaceutical Co., Ltd. (上海現代製藥股份有限公司) (600420.SH), an independent director of Shandong Lukang Pharmaceutical Co., Ltd. (山東魯抗醫藥股份有限公司) (600789.SH), Guangdong Taientang Pharmaceutical Co., Ltd. (廣東太安堂藥業股份有限公司) (002433.SZ), the Company and Shandong Xinhua Pharmaceutical Co., Ltd. (山東新華製藥股份有限公司) (000756.SZ). He was a general manager and the chairman of Sinopharm Group Yangzhou Weike Biological Engineering Co., Ltd. (國藥集團揚州威克生物工程股份有限公司). He was a visiting professor at Shanghai Jiao Tong University (上海交通大學), East China University of Science (華東理工大學) and Technology and East China Normal University (華東師範大學). He was a vice president of Joincare from October 2016 to November 2020. He has been the president of Joincare since November 2020. He has been the chairman of Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司), a controlling subsidiary of Joincare since November 2018. Since July 2020, he has been the chairman of Xinling Pharmaceutical Technology (Shenzhen) Co., Ltd. (新領醫藥技術(深圳)有限公司), an invested company of Joincare. Since December 2020, he has been the executive director of Guangzhou Joincare Respiratory Drugs Engineering Technology Co., Ltd. (廣州健康元呼吸藥物工程技術有限公司), an invested company of Joincare. He has been an independent director of Tianjin Tianyao Pharmaceutical Co., Ltd. (天津天藥藥業股份有限公司) (600488.SH) since December 2016. He has been an independent director of Sichuan Biokin Pharmaceutical Co., Ltd. (四川百利天恒藥業股份有限公司) since September 2019. He serves as a standing director of the Chinese Pharmaceutical Association, an honorary chairman of the Pharmaceutical Engineering Professional Committee, an honorary director of Shanghai Society of Chemistry and Chemical Industry and an adjunct professor of East China University of Science (華東理工大學). Mr. Yu has been the non-executive Director of the Company since June 2020.

3. Brief Biographies of Independent Non-executive Directors

Mr. Bai Hua (白華先生), aged 51, is currently the independent non-executive Director, the chairman of the Audit Committee, a member of the Remuneration and Assessment Committee and the Environmental, Social and Governance Committee of the Company. Mr. Bai Hua is a Chinese Certified Public Accountant (non-practicing). He graduated from the Business School of Wuhan University in 2003 with a doctorate degree in management. He is currently a professor and doctoral tutor of the Accounting Department of the School of Management of Jinan University (暨南大學). He is also a director of the Guangdong Auditing Society and a member of the Publicity Committee of the Guangdong Certified Public Accountants Association. He was an independent director of Youngy Co., Ltd. (融捷股份有限公司) (002192.SZ) from April 2012 to October 2017. He was an independent director of MIG Unmobi Technology Inc. (廣東明家聯合移動科技股份有限公司) (300242.SZ, now renamed as "KAISA JiaYun Technology Inc. (廣東佳兆業佳雲科技股份有限公司)) from December 2014 to January 2018. He was an independent director of Guangzhou Echom Science & Technology Co., Ltd. (廣州毅昌科技股份有限公司) (002420.SZ) from October 2013 to October 2019. He was an independent director of Yipinhong Pharmaceutical Co., Ltd. (一品紅藥業股份有限公司) (300723.SZ) from November 2015 to November 2018. He has been an independent director of Shenzhen Expressway Company Limited (深圳高速公路股份有限公司) (600548.SH, 00548.HK) since February 2018. Since June 2020, he has been an independent director of Guangzhou Improve Medical Instruments Co., Ltd.* (廣州陽普醫療科技股份有限公司) (300030.SZ). Mr. Bai has been the independent non-executive Director, the chairman of the Audit Committee, a member of the Remuneration and Assessment Committee and a member of the Environmental, Social and Governance Committee of the Company since June 2020.

III. POSITIONS HELD *(Continued)*

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

Mr. Zheng Zhihua (鄭志華), aged 50, is currently our independent non-executive Director, a member of the Audit Committee, a member of the Nomination Committee, the chairman of the Remuneration and Assessment Committee and a member of the Environmental, Social and Governance Committee. He graduated from China Pharmaceutical University (中國藥科大學) with a bachelor degree in medical enterprise management in July 1992 and obtained a master degree in biochemistry (pharmacy direction) from Sun Yat-sen University (中山大學) in July 2002. Since 1992, Mr. Zheng has worked in Guangdong Pharmaceutical Association, and served as a committee member, deputy head of the Information Division, head of the Academic Division and the deputy secretary-general, and is currently the vice chairman and the secretary-general. He was qualified as a director pharmacist by the Department of Personnel of Guangdong Province in 2007. Mr. Zheng has been the independent non-executive Director of the Company since June 2015.

Mr. Xie Yun (謝耘), aged 50, is currently our independent non-executive Director, the chairman of the Nomination Committee and a member of the Audit Committee. Mr. Xie Yun obtained a bachelor degree in finance from Shanghai University of Finance and Economics (上海財經大學) in 1993, and a master of business administration degree from the International East-West University in the United States in 2000. From 1993 to 2011, he worked as an office director and financial manager in Zhuhai Airport Power Station Limited Company (珠海機場電廠有限公司), as a business department manager, assistant to general manager and vice general manager in Zhuhai Huidafeng Electric Power Development (Group) Co., Ltd. of Zhuhai Electrical Bureau (珠海電力局珠海匯達豐電力發展(集團)有限公司), as the managing director of Southern Zhuhai Hua Litong Special Transformer Limited Company (珠海南方華力通特種變壓器有限公司), as the director of human resources department and the director of business development department in Zhuhai Water Affairs Group Limited (珠海水務集團有限公司). Mr. Xie was an independent director of Shenzhen Click Technology Co., Ltd. (深圳可立克科技股份有限公司) (002782.SZ) from May 2016 to May 2018. He is currently the vice president of Zhuhai Huajin Capital Co., Ltd. (珠海華金資本股份有限公司) (000532.SZ). Mr. Xie has been the independent non-executive Director, the chairman of the Nomination Committee and a member of the Audit Committee of the Company since June 2015.

Mr. Tian Qiusheng (田秋生), aged 65, is currently our independent non-executive Director. Mr. Tian is a doctor of economics, professor and doctoral tutor. He had studied at Lanzhou University (蘭州大學), Nankai University (南開大學) and Northwest University (西北大學). From July 1982 to July 2005, he taught at Lanzhou University and served as deputy director of the Department of Economics and deputy head of the School of Economics and Management of Lanzhou University. Since July 2005, he has taught at South China University of Technology (華南理工大學). From October 2005 to June 2017, he served as deputy head of the School of Economics and Trade of South China University of Technology. He is currently a member of the China International Finance Society, a guest economist of China Economic Monitoring Center of National Bureau of Statistics of China, a member of the Academic Committee under the Guangdong Financial Institute, a financial consultant of Guangdong Financial Supervisory Authority, the vice president of the Guangdong Financial Think-tank Federation and a counselor of the Advisory Office of the Guangdong People's Government. He was an independent director of Zhuhai Port Co., Ltd. (珠海港股份有限公司) (000507.SZ) from December 2014 to December 2020; He has been an independent director of Guangzhou Lingnan Group Holdings Company Limited (廣州嶺南集團控股股份有限公司) (000524.SZ) since August 2017, and an independent non-executive director of Fineland Real Estate Services Group Limited (方圓房地產服務集團有限公司) (08376.HK) since October 2017. Mr. Tian has been the independent non-executive Director of the Company since October 2019.

Mr. Wong Kam Wa (黃錦華), aged 49, is currently our independent non-executive Director and a member of the Environmental, Social and Governance Committee. Mr. Wong is a lawyer who graduated from the University of Hong Kong with a bachelor degree in engineering and a certificate in law. From May 2011 to March 2016, he worked for Loeb & Loeb LLP. From April 2016 to July 2019, he worked for Anthony Siu & Co.. Since July 2019, he has been a partner of TW Partners. Mr. Wong has been the independent non-executive Director of the Company since October 2019.

III. POSITIONS HELD *(Continued)*

4. Brief Biographies of Supervisors of the Company

Mr. Wang Maolin (汪卯林), aged 55, graduated from the Law School of Anhui University (安徽大學) and obtained a bachelor's degree in law. Since January 2001, Mr. Wang has been the general manager of the legal and compliance head department of the Company. Mr. Wang has been the chairman of the labour union of the Company and the employee representative supervisor of the Supervisory Committee since January 2010. In January 2012, Mr. Wang was elected as a representative of the 8th Zhuhai People's Congress (珠海市第八屆人民代表大會). Mr. Wang has served as the deputy chairman of the Zhuhai Committee of Jiusan Society since July 2016 and a representative of the 9th Zhuhai People's Congress (珠海市第九屆人民代表大會) since January 2017. He has been the chief Supervisor of the Supervisory Committee of the Company since June 2014.

Mr. Huang Huamin (黃華敏), aged 49, an accountant, is currently a Supervisor of the Company and graduated from Shanghai University of Finance and Economics (上海財經大學) with a bachelor's degree in economics in 1993. Mr. Huang has been the chief financial officer and assistant to the general manager of Livzon Group Lixin Co. Ltd. (麗珠集團麗新公司), the manager of the finance department and business department of Livzon Group Liwei Co., Ltd. (麗珠集團麗威公司) as well as the manager of the finance settlement center of the Company. From September 2008 to May 2009, Mr. Huang was employed by Zhuhai Gree Real Estate Co., Ltd. (珠海格力房產有限公司). Mr. Huang was the chief financial officer, the secretary to the board of directors and vice president of Gree Real Estate Co., Ltd. (格力地產股份有限公司) from May 2009 to March 2017, from October 2009 to March 2017 and from March 2016 to March 2017, respectively. Mr. Huang was the deputy general manager of Guangzhou Golden Eagle Asset Management Co., Ltd. (廣州金鷹資產管理有限公司) and the chief financial officer of Golden Eagle Fund Management Co., Ltd. (金鷹基金管理有限公司) from August 2017 to March 2019. Mr. Huang was an assistant to the chairman of the board of directors of China Agriculture Industrial Development Group Co., Ltd. (中農華鑫實業發展集團有限公司) from March 2019 to August 2020. Since April 2020, he has been a managing partner of Zhuhai Guanjing Enterprise Management Center (LLP) (珠海觀鯨企業管理中心(有限合夥)). Since August 2020, he has been the executive director and general manager of Kuangshi Investment (Zhuhai) Co., Ltd. (匡時投資(珠海)有限公司). Since October 2020, he has been a director and the general manager of Sichuan Danzhuer Equity Investment Fund Management Co., Ltd. (四川丹朱爾股權投資基金管理有限公司). Since November 2020, he has been an investment advisor to Zhuhai Security Group Co., Ltd. (珠海保安集團有限公司). Since December 2020, he has been the chairman of Hengqin Jingzhun Wisdom Medical Technology Co., Ltd. (橫琴鯨准智慧醫療科技有限公司) and an independent director of Xuzhou Handler Special Vehicle Company Ltd. (徐州海倫哲專用車輛股份有限公司) (300201.SZ). Mr. Huang has been a Supervisor of the Supervisory Committee of the Company since June 2013.

Mr. Tang Yin (湯胤), aged 46, is currently a Supervisor of the Company. He graduated from the South China University of Technology (華南理工大學) with a double degree in mechanics and mathematics in 1996, a master degree of science in applied mathematics in 1999, and a doctor degree from the Intelligent Calculation Team of the School of Computer Science in 2004. Since 2004, he has been a deputy professor of School of Management, a master tutor, an assistant to the dean of School of Entrepreneurship at Jinan University (暨南大學) and the president of Internet Innovation Institute. From 2013 to 2015, he was the consultant in information technology and e-commerce of Guangdong Wellfull Holding Group (廣東匯富控股集團). He is also the deputy secretary-general of Guangzhou Internet Association, a member of the Expert Committee of Guangdong Electronic Commerce Association, vice chairman of Guangzhou Electronic Commerce and Internet Economy Association and a council member of Guangdong Mobile Economy Association. He has been a Supervisor of the Supervisory Committee of the Company since February 2016.

SECTION IX DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

III. POSITIONS HELD *(Continued)*

5. Brief Biographies of Other Senior Management of the Company

Mr. Yang Daihong (楊代宏), aged 54, joined the Company in 1997 and is currently the vice president of the Company, has a title of senior engineer and is a licensed pharmacist. He studied at China Pharmaceutical University (中國藥科大學) from 1984 to 1988 and obtained a bachelor's degree of science. From 2000 to 2002, Mr. Yang attended a course in enterprise management organised by Business School of Sun Yat-Sen University (中山大學). From 1999 to 2009, Mr. Yang was the deputy factory manager and factory manager of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠). Mr. Yang was an executive Director of the Company from October 2014 to June 2017, and he has been the vice president of the Company since May 2006.

Ms. Si Yanxia (司燕霞), aged 52, is currently the vice president and chief financial officer of the Company. She graduated from the Department of Accounting at Shanxi University of Finance and Economics (山西財經學院) with a bachelor degree in July 1990. She is an accountant. Ms. Si finished part-time CFO study at China Europe International Business School (中歐國際工商學院) from July 2005 to November 2005. She joined the Company in April 1993 and was the manager of the capital settlement center and the manager of the accounting center of the accounting head department of the Group. She was the director of the accounting head department of the Company from April 2004 to June 2014 and has been the vice president and chief financial officer of the Company since June 2014.

Mr. Zhou Peng (周鵬), aged 57, is currently the vice president of the Company. He graduated from the Hubei University of Medicine (湖北醫學院) with a bachelor degree in medicine in 1985. He obtained attending physician title in 1994. He completed the course of postgraduate course training class of enterprise management at Management School of Sun Yat-Sen University (中山大學) from 2000 to 2002. He joined the Group in 1999 and served as an assistant to the director of the general department of the Group, general manager of Livzon Chain Drugstore Co., Ltd. (麗珠藥房連鎖有限公司), director of the human resources head department of the Group, vice general manager of Livzon Group Marketing Co. Ltd. (麗珠集團營銷公司), vice general manager of OTC drug business division of the Group, director of the administration head department of the Group, assistant to the president, general manager of the administration operations head department, general manager of the human resources head department, and executive deputy general manager of Livzon Pharmaceutical Industrial Co., Ltd. (麗珠醫藥工業有限公司). He has been the deputy secretary of Party Committee of the Company since March 2014. He has been the general manager of public affairs head department of the Group since May 2019. He is also the vice president of the Red Cross Society of Zhuhai, the vice president of Zhuhai Medical Association, a member of Zhuhai Jinwan District Standing Committee of the National People's Congress (珠海市金灣區人大常委會) and the vice chairman of the First Session of the Board of Directors of Zhuhai Technology Development Promotion Board (珠海市科技發展促進會第一屆理事會), etc. Mr. Zhou has been the vice president of the Company since November 2016.

III. POSITIONS HELD *(Continued)***5. Brief Biographies of Other Senior Management of the Company** *(Continued)*

Ms. Huang Yuxuan (黃瑜璇), aged 54, is currently the vice president of the Company. Ms. Huang graduated from Fujian Agricultural and Forestry University (福建農林大學) with a bachelor degree in 1989. From 2000 to 2002, she studied a program of post-graduate course in business administration at the University of International Business and Economics (對外經濟貿易大學). In 2004, she was qualified as a senior economist. In 2005, she joined the Group and was the deputy general manager of Fuzhou Fuxing. Since July 2015 and June 2016, she has been the deputy general manager of APIs business department of the Group and the general manager of Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司), respectively. She was an assistant to the president of the Group from December 2016 to October 2018. Ms. Huang has been the vice president of the Company since October 2018.

Mr. Xu Peng (徐朋), aged 64, is currently the vice president of the Company. He obtained a Ph.D. from University of Iowa in the United States. Mr. Xu Peng is a senior expert in the field of microsphere preparation and a technical director of the first domestic launched prolonged-action microsphere injection product (Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球)). In 1988, he was a visiting scholar and lecturer at the College of Pharmacy, University of Iowa in the United States. In 1989, he served as a researcher at the Drug Preparation Service Center of the College of Pharmacy, University of Iowa in the United States. In 1993, he acted as a senior researcher at the Research and Development Department of Gensia Pharmaceutical Inc. in the United States. Mr. Xu served as a partner of FPX (a biopharmaceutical company) in the United States from 1998 to 2004, and the Chief Executive Officer of Nanning Dizhi Pharmaceutical Co., Ltd. (南寧迪智藥業有限公司) in Guangxi from 2005 to 2013. Since 2015, he has been the executive deputy director and academic leader of the Group's National and Local United Engineering Research Center for Prolonged-action Microsphere. Mr. Xu is also a leader of the Innovation and Entrepreneurship Team introduced by the "Pearl River Talent Plan" (珠江人才計劃) of Guangdong Province, and a leader of the Innovation and Entrepreneurship Team of Zhuhai City. He has been the vice president of the Company since April 2020.

Mr. Yang Liang (楊亮), aged 37, is currently the vice president of the Company, the secretary to the Board, company secretary and authorized representative of the Company. In 2006, he graduated from Jinan University (暨南大學) with a bachelor degree in management. In 2008, he graduated from the School of Business Administration, South China University of Technology (華南理工大學) with a master degree in management. He obtained the Fund Qualification Certificate, and is eligible to be an independent director. From May 2008 to June 2010, Mr. Yang worked successively as strategic development director and investment and acquisition manager in Zhuhai Wiseman Co., Ltd (珠海威絲曼服飾股份有限公司). From July 2010 to July 2011, he served as the strategic performance director in the department of enterprises management of China International Marine Containers (Group) Ltd. (中國國際海運集裝箱(集團)股份有限公司) (CIMC, 000039.SZ, 02039.HK). He joined the Secretariat of the Board of the Company as senior investment project manager in August 2011. He obtained the Certificate of Secretary to the Board issued by Shenzhen Stock Exchange in December 2012 and the Certificate of Affiliated Person of the Hong Kong Institute of Chartered Secretaries in December 2014. He has been the secretary to the Board, the company secretary and authorised representative of the Company since June 2014 and the vice president of the Company since June 2020.

III. POSITIONS HELD (Continued)

6. Positions Held in Shareholders' Company

✓ Applicable ☐ Not applicable

Name	Name of shareholders' company	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from shareholders' company
Zhu Baoguo	Joincare	Chairman of the board of directors	August 2018	August 2021	Yes
Qiu Qingfeng	Joincare	Director	August 2018	August 2021	Yes
		Vice president, chief financial officer	November 2020	August 2021	Yes
Yu Xiong	Joincare	President	November 2020	August 2021	Yes
Note to the position held in shareholder's company		The above terms of office are tenures of the directors or senior management who are appointed at the seventh session of the board of directors of Joincare.			

7. Positions Held in Other Entities

✓ Applicable ☐ Not applicable

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Zhu Baoguo	Shenzhen General Chamber of Commerce (深圳市工商聯(總商會))	Honorary vice president	November 2014		No
	Nature Conservancy (TNC) Great China Council (大自然保護協會(TNC)大中華理事會)	Council member, secretary-general	December 2012		No
	Paradise International Foundation (桃花源生態保護基金會)	Chairman	April 2015		No
Tang Yanggang	Qingyuan Entrepreneur Association (清遠企業家協會)	Vice chairman	August 2012		No
	Qingyuan Federation of Industry and Commerce (清遠市工商業聯合會)	Vice president	November 2016		No
	Qingyuan Municipal Political Consultative Conference (清遠市政協)	Member	January 2017		No
	Guangdong Pharmaceutical Association (廣東省藥學會)	Vice chairman	August 2019		No
	China Association of Traditional Chinese Medicine (中國中藥協會)	Vice chairman	November 2019		No
Xu Guoxiang	Chinese Hospital Association (中國醫院協會)	Standing council member	January 2012		No
	China Association of Pharmaceutical Commerce (中國醫藥商業協會)	Vice chairman	November 2012		No
	Bethune Charitable Foundation (白求恩公益基金會)	Council member	October 2016		No

SECTION IX DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

III. POSITIONS HELD (Continued)

7. Positions Held in Other Entities (Continued)

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Yu Xiong	Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Chairman	November 2018		No
	Xinling Pharmaceutical Technology (Shenzhen) Co., Ltd. (新領醫藥技術(深圳)有限公司)	Chairman	July 2020		No
	Guangzhou Joicare Respiratory Drugs Engineering Technology Co., Ltd. (廣州健康元呼吸藥物工程技術有限公司)	Executive director	December 2020		No
	Tianjin Tianyao Pharmaceutical Co., Ltd. (天津天藥藥業股份有限公司) (600488.SH)	Independent director	December 2016		Yes
	Sichuan Biokin Pharmaceutical Co., Ltd. (四川百利天恒藥業股份有限公司)	Independent director	September 2019		No
	Chinese Pharmaceutical Association (中國藥學會)	Standing director	August 2012		No
	Pharmaceutical Engineering Professional Committee (製藥工程專業委員會)	Honorary chairman	November 2019		No
	Shanghai Society of Chemistry and Chemical Industry (上海市化學化工學會)	Honorary director	October 2016		No
Bai Hua	East China University of Science (華東理工大學)	Adjunct professor	July 2019		No
	Accounting Department of the School of Management of Jinan University (暨南大學管理學院會計學系)	Professor	October 2014		Yes
	Guangdong Auditing Society (廣東省審計學會)	Director	September 2009		No
	Guangdong Certified Public Accountants Association (廣東省註冊會計師協會)	Member of the Publicity Committee	October 2010		No
	Shenzhen Expressway Company Limited (深圳高速公路股份有限公司) (600548.SH, 00548.HK)	Independent director	February 2018		Yes
	Guangzhou Improve Medical Instruments Co., Ltd. (廣州陽普醫療科技股份有限公司) (300030.SZ)	Independent director	June 2020		Yes
	Youngy Co., Ltd. (融捷股份有限公司) (002192.SZ)	Independent director	April 2012	October 2017	Yes
	MIG Unimobi Technology Inc. (廣東明家聯合移動科技股份有限公司) (300242.SZ, now it has changed name to KAISA JiaYun Technology Inc. (廣東佳兆業佳雲科技股份有限公司))	Independent director	December 2014	January 2018	Yes
	Guangzhou Echom Science & Technology Co., Ltd. (廣州毅昌科技股份有限公司) (002420.SZ)	Independent director	October 2013	October 2019	Yes
	Yipinhong Pharmaceutical Co., Ltd. (一品紅藥業股份有限公司) (300723.SZ)	Independent director	November 2015	November 2018	Yes
Zheng Zhihua	Guangdong Pharmaceutical Association (廣東省藥學會)	Secretary-general	May 2014		Yes
		Vice chairman	August 2019		
Xie Yun	Zhuhai Huajin Capital Co., Ltd. (珠海華金資本股份有限公司) (000532.SZ)	Vice president	May 2011		Yes
	Shenzhen Click Technology Co., Ltd (深圳可立克科技股份有限公司) (002782.SZ)	Independent director	May 2016	May 2018	Yes

III. POSITIONS HELD (Continued)

7. Positions Held in Other Entities (Continued)

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Tian Qiusheng	China International Finance Society (中國國際金融學會)	Member	June 2001		No
	China Economic Monitoring Center of National Bureau of Statistics of China (國家統計局中國經濟景氣中心)	Guest economist	October 2002		No
	Advisory Office of the Guangdong People's Government (廣東省人民政府參事室)	Counselor	February 2014		No
	Academic Committee under the Guangdong Financial Institute (廣東省金融學會學術委員會)	Member	September 2016		No
	Guangdong Financial Supervisory Authority (廣東省地方金融監督局)	Financial consultant	January 2017		No
	Guangdong Financial Think-tank Federation (廣東省金融智庫聯合會)	Vice president	February 2018		No
	Zhuhai Port Co., Ltd. (珠海港股份有限公司) (000507.SZ)	Independent director	December 2014	December 2020	Yes
	Guangzhou Lingnan Group Holdings Company Limited (廣州嶺南集團控股股份有限公司) (000524.SZ)	Independent director	August 2017		Yes
	Fineland Real Estate Services Group Limited (方圓房地產服務集團有限公司) (08376.HK)	Independent non-executive director	October 2017		Yes
Wang Maolin	Zhuhai Committee of Jiusan Society (九三學社珠海市委員會)	Deputy chairman	July 2016		No
	9th Zhuhai People's Congress (珠海市第九屆人民代表大會)	Representative	January 2017		No
Huang Huamin	Gree Real Estate Co., Ltd. (格力地產股份有限公司)	Chief financial officer	May 2009	March 2017	Yes
		Secretary to the board of directors	October 2009	March 2017	Yes
		Vice president	March 2016	March 2017	Yes
	Guangzhou Golden Eagle Asset Management Co., Ltd. (廣州金鷹資產管理有限公司) (former name: Shenzhen Qianhai Golden Eagle Asset Management Co., Ltd. (深圳前海金鷹資產管理有限公司))	Deputy general manager	August 2017	March 2019	Yes
	Golden Eagle Fund Management Co., Ltd. (金鷹基金管理有限公司)	Chief financial officer	August 2017	March 2019	Yes
	China Agriculture Industrial Development Group Co., Ltd. (中農華鑫實業發展集團有限公司)	Assistant to the chairman of the board of directors	March 2019	August 2020	Yes
	Zhuhai Guanjiang Enterprise Management Center (LLP)(珠海觀鯨企業管理中心(有限合伙))	Managing partner	April 2020		No
	Kuangshi Investment (Zhuhai) Co., Ltd. (匡時投資(珠海)有限公司)	Executive director, general manager	August 2020		No
	Sichuan Danzhuer Equity Investment Fund Management Co., Ltd. (四川丹朱爾股權投資基金管理有限公司)	Director, general manager	October 2020		No

SECTION IX DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

III. POSITIONS HELD (Continued)

7. Positions Held in Other Entities (Continued)

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Huang Huamin	Zhuhai Security Group Co., Ltd. (珠海保安集團有限公司)	Investment advisor	November 2020		Yes
	Hengqin Jingzhun Wisdom Medical Technology Co., Ltd. (橫琴鯨准智慧醫療科技有限公司)	Chairman	December 2020		No
	Xuzhou Handler Special Vehicle Company Ltd. (徐州海倫哲專用車輛股份有限公司)(300201.SZ)	Independent director	December 2020		Yes
Tang Yin	School of Management, Jinan University (暨南大學管理學院)	Deputy professor, master tutor	September 2004		Yes
	School of Entrepreneurship, Jinan University (暨南大學創業學院)	Assistant to the dean	January 2012		Yes
	Internet Innovation Institute (互聯網創新研究所)	President	January 2012		No
	Guangdong Electronic Commerce Association (廣東省電子商務協會)	Member of the Expert Committee	December 2012		No
	Guangdong Mobile Economy Association (廣東省移動經濟協會)	Council member	December 2012		No
	Guangzhou Internet Association (廣州互聯網協會)	Deputy secretary-general	September 2013		No
Zhou Peng	Guangzhou Electronic Commerce and Internet Economy Association (廣州市電子商務與網絡經濟學會)	Vice chairman	September 2013		No
	Beijing Normal University Zhuhai Campus (北京師範大學珠海分校)	Visiting professor	September 2015	October 2019	No
	Red Cross Society of Zhuhai (珠海市紅十字會)	Vice president	December 2013		No
	Zhuhai Medical Association (珠海市藥學會)	Vice president	March 2016		No
	Zhuhai Jinwan District Standing Committee of the National People's Congress (珠海市金灣區人大常委會)	Member	November 2016		No
	Zhuhai Jinwan District Industry Development Association (珠海市金灣區產業發展協會)	Chairman	September 2018	June 2020	No
Note to the position held in other entities	First Session of the Board of Directors of Zhuhai Technology Development Promotion Board (珠海市科技發展促進會第一屆理事會)	Vice chairman	June 2020		No
	Not applicable				

8. Punishment of Current and Resigned Directors, Supervisors and Senior Management during the Year from Securities Regulatory Institution in Recent Three Years

☐ Applicable ☒ Not applicable

IV. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Procedures for Determining the Remuneration of Directors, Supervisors and Senior Management

The remuneration of Directors and Supervisors of the Company must be considered and approved by the general meetings of the Company. As for the remunerations of senior management, the Remuneration and Assessment Committee of the Board formulates corresponding remuneration standards in accordance with the remuneration management system of the Company, coupled with the operating results, and submit to the Board of Directors for approval.

2. Basis for Determining the Remuneration of Directors, Supervisors and Senior Management

The Company determines the annual remuneration of Directors, Supervisors and senior management with reference to industry and regional income levels while taking into consideration factors such as the operating results of the Company and their contributions. Meanwhile, the Company implements corporate performance appraisal and individual performance appraisal system for senior management, and determines performance bonus and year end double pay based on the appraisal results. Furthermore, with the authorisation of the Board and the approval of the chairman, the Company may pay additional special rewards based on the growth of the annual operating results of the Company.

Information on the remuneration of each Director, Supervisor and senior management and the top five highest paid individuals is set out in "Note X. 5. Related Transactions" of the financial statements in this Report.

3. Appraisal and Incentive for Senior Management

During the Year, the Company conducted an appraisal system that combines the corporate performance appraisal and individual performance appraisal for its senior management, in which the personal annual remuneration is linked to the Company's performance. Meanwhile, the 2018 Share Options Incentive Scheme have been adopted by the Company to align the interests of the senior management with the Shareholders of the Company so as to achieve medium to long-term incentive effect. The general meeting of the Company considered and approved the Medium to Long-term Business Partner Share Ownership Scheme (Draft) and its revision on 11 February 2020 and 11 December 2020, respectively, to establish an innovative long-term incentive stock ownership mechanism for senior management and core technical teams, therefore further motivating the senior management, facilitating the long-run and sustainable development of the Company, and realising the alignment of interests among shareholders.

SECTION IX DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

IV. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

4. Remuneration of Directors, Supervisors and Senior Management of the Company during the Year

Unit: RMB0'000

Name	Position	Gender	Age	Status	Total remuneration before tax from the Company	Receive remuneration from any related party of the Company
Zhu Baoguo	Chairman, Non-executive Director	Male	58	Current	325.00	Yes
Tao Desheng	Vice Chairman, Non-executive Director	Male	56	Current	300.00	Yes
Xu Guoxiang	Vice Chairman, Executive Director, Vice President	Male	58	Current	632.91	No
Tang Yanggang	Executive Director, President	Male	51	Current	392.59	No
Qiu Qingfeng	Non-executive Director	Male	49	Current	8.40	Yes
Yu Xiong	Non-executive Director	Male	60	Current	4.80	Yes
Xu Yanjun	Independent Non-executive Director	Male	48	Retired	4.80	No
Bai Hua	Independent Non-executive Director	Male	51	Current	6.00	No
Zheng Zhihua	Independent Non-executive Director	Male	50	Current	10.80	No
Xie Yun	Independent Non-executive Director	Male	50	Current	10.80	No
Tian Qiusheng	Independent Non-executive Director	Male	65	Current	10.80	No
Wong Kam Wa	Independent Non-executive Director	Male	49	Current	10.80	No
Wang Maolin	Chief Supervisor	Male	55	Current	125.79	No
Huang Huamin	Supervisor	Male	49	Current	4.80	No
Tang Yin	Supervisor	Male	46	Current	4.80	No
Yang Daihong	Vice President	Male	54	Current	251.40	No
Si Yanxia	Vice President	Female	52	Current	228.93	No
Zhou Peng	Vice President	Male	57	Current	310.98	No
Huang Yuxuan	Vice President	Female	54	Current	277.56	No
Dai Weiguo	Vice President	Male	57	Resigned	44.10	No
Xu Peng	Vice President	Male	64	Current	274.53	No
Yang Liang	Vice President, Secretary to the Board	Male	37	Current	162.45	Yes
Total	–	–	–	–	3,403.04	–

Note: Mr. Xu Peng and Mr. Yang Liang were appointed as vice presidents of the Company on 20 April 2020 and 30 June 2020, respectively. Mr. Dai Weiguo has resigned as a vice president of the Company and all positions in subsidiaries, with effect from 29 May 2020, due to personal family and development reasons. Mr. Xu Yanjun retired as an independent non-executive Director of the Company due to the expiration of his 6-year term of office as a Director, with effect from 30 June 2020. On 30 June 2020, Mr. Bai Hua and Mr. Yu Xiong were appointed as an independent non-executive Director and a non-executive Director of the Company, respectively.

SECTION IX DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

IV. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

4. Remuneration of Directors, Supervisors and Senior Management of the Company during the Year *(Continued)*

Share options incentive granted to Directors, Supervisors and senior management of the Company during the Year

✓ Applicable ☐ Not applicable

Unit: 0'000 shares

Name	Position	Number shares that can be exercised during the Reporting Period	Number of shares exercised during the Reporting Period	Exercise price during the Reporting Period (RMB/share)	Market price as at the End of the Reporting Period (RMB/share)	Number of restricted shares held at the Beginning of the Reporting Period	Number of unlocked shares during the Reporting Period	Number of new restricted shares granted during the Reporting Period	Grant price of restricted shares (RMB/share)	Number of restricted shares held at the End of the Reporting Period
Tang Yanggang	Executive Director, President	14.1960	14.1960	36.16	40.41	-	-	-	-	-
Tao Desheng	Vice Chairman, Non-executive Director	17.7450	10.1400	36.16	40.41	-	-	-	-	-
Xu Guoxiang	Vice Chairman, Executive Director, Vice President	17.7450	10.1400	36.16	40.41	-	-	-	-	-
Yang Daihong	Vice President	14.1960	8.1120	36.16	40.41	-	-	-	-	-
Si Yanxia	Vice President	14.1960	8.1100	36.16	40.41	-	-	-	-	-
Zhou Peng	Vice President	9.4640	5.4080	36.16	40.41	-	-	-	-	-
Huang Yuxuan	Vice President	8.2810	4.7320	36.16	40.41	-	-	-	-	-
Dai Weiguo	Vice President	-	-	-	-	-	-	-	-	-
Xu Peng	Vice President	7.0980	4.0560	36.16	40.41	-	-	-	-	-
Yang Liang	Vice President, Secretary to the Board	8.2810	4.7320	36.16	40.41	-	-	-	-	-
Total	-	111.2020	69.6260	-	-	-	-	-	-	-
Remark (if any)	N/A									

Note: Mr. Dai Weiguo resigned as the vice president of the Company on 29 May 2020. Mr. Xu Peng and Mr. Yang Liang were appointed as vice presidents of the Company on 20 April 2020 and 30 June 2020, respectively. For details of the Share Options Incentive Scheme of the Company, please refer to "XXI. SHARE OPTIONS INCENTIVE SCHEMES" in Section IV of this Report.

V. EMPLOYEES OF THE COMPANY

As at the End of the Year, the Company and its wholly-owned subsidiaries and controlling subsidiaries had a total of 8,367 existing employees (31 December 2019: 9,019).

1. Number, Speciality Composition and Education Level of Employees

Number of existing employees of the parent company	2,070
Number of existing employees of principal subsidiaries	6,297
Total number of existing employees	8,367
Total number of employees receiving remuneration during the Year	8,367
Total number of retired employees to whom the parent company and its principal subsidiaries should pay pension	657

Speciality composition

Type of speciality composition	Staff number of speciality composition
Production staff	4,729
Sales staff	1,809
Technical staff	1,213
Financial staff	171
Administrative staff	445
Total	8,367

Education level

Type of education level	Number
Below post-secondary	3,267
Post-secondary	2,271
Undergraduate	2,332
Postgraduate	430
Doctor	67
Total	8,367

V. EMPLOYEES OF THE COMPANY *(Continued)*

2. Employees' Remuneration Policies

The Group mainly determined the remuneration of its employees according to the laws and regulations of the People's Republic of China and the Company's economic performance with reference to the general remuneration level in the society. During the Year, the Company's remuneration policies were in line with the provisions of relevant national laws and regulations, and the Company determined the remuneration of its employees after referring to the remuneration level in the industry and the region, considering the Company's internal fairness and depending on the duty value, work performance and individual ability of its employees. The formulation and revision of the remuneration system of the Company's employees should seek the views of the majority of its employees. In order to reflect the incentives of remuneration, the remuneration of the employees was composed of two portions: fixed income and variable income. The variable income was subject to the Company's performance and the individual performance, so as to fully stimulate the enthusiasm and initiative of the employees and achieve the goal of promoting the sustainable development of the Company. In 2020, the Company completed the exercise work in relation to the second exercise period of the first grant and the first exercise period of the reserved grant under the 2018 Share Options Incentive Scheme, and the general meeting of the Company considered and approved the Medium to Long-term Business Partner Share Ownership Scheme (Draft) and its revision on 11 February 2020 and 11 December 2020, respectively. Please refer to "Share Options Incentive Schemes" and "Medium to Long-term Business Partner Share Ownership Scheme" in Section IV of this Report for further details.

During the Year, the total wages, bonuses, allowances, compensation, welfare, housing funds and social insurance paid to the employees by the Group amounted to RMB1,051.79 million (31 December 2019: RMB964.29 million).

3. Pension Scheme

During the Year, there was no change in the Group's employee remuneration policy. The employees of the Group participated in the social basic pension insurance scheme 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. According to the requirements under relevant laws and regulations of China and regulations of the local governments, the Group is required to contribute to the social basic pension insurance scheme at a certain rate of the employees' salaries to fund the employee retirement benefits. The sole obligation of the Group with respect to the social basic pension insurance scheme is to make the required contributions under the scheme. There was no change in the details of the retirement benefits.

V. EMPLOYEES OF THE COMPANY *(Continued)***4. Employees' Training Plan**

During the Year, the Company continued to attach importance to the development and cultivation of internal talents and developed a diversified and comprehensive staff training system with business schools as the core platform. According to the Group's strategic needs and talent classification, the Company conducted trainings by a combination of online and offline diversified learning methods: eight business school branches were established in the subsidiaries; in active response to the notice of the Human Resources and Social Security Bureau of Guangdong Province on proper job training, various forms of trainings were provided, including organizing proper job trainings for employees, further studies for on-job master (doctorate) degrees, continuing education for professional technical staff of various fields and joint postgraduate programmes in cooperation with relevant universities, intelligent office software application trainings for staff of basic to intermediate level, introduction trainings for new employees and introduction trainings and team building activities for fresh graduates in 2020; online courses for improvement of management skills for management members of great potential were provided by introducing an external training platform; the Company selected more than 40 young talents of great potential for intensive training, aiming to cultivate a number of outstanding management officer in line with the Company's development, with new and diverse course contents for improving learning efficiency and effectiveness.

Meanwhile, since the Beginning of the Reporting Period, the Company has reviewed the training data of the Group according to the disclosure requirements of the Environmental, Social and Governance Report to ensure the accuracy and scientific nature of the training data of the Group. The Company comprehensively upgraded further the quality of trainings through classification of training participants, enriching the training courses, inviting internal (external) high-quality lecturers and experts in various fields, while at the same time educated the Group's employees on the contents and strengths in the aspects of quality control, production control, safety and environmental protection, financial system, human resources administration system, information system and product knowledge so as to enable employees to have a comprehensive understanding of the corporate culture of the Group, enhance their professional and technical capabilities and further promote the harmonious unification between employees and teams to develop an excellent team to confront difficult challenges.

5. Labour Outsourcing

☐ Applicable ☒ Not applicable

SECTION X CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

I. BASIC CORPORATE GOVERNANCE

During the year ended 31 December 2020, in strict accordance with the Company Law, the Securities Law, the Guidelines for Corporate Governance of Listed Companies, the Shenzhen Listing Rules, the Guidelines for Standardised Operation of Companies Listed on 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, the Company constantly enhances the corporate governance structure and strengthens the internal control systems of the Company to achieve higher corporate governance standards. The Board believed that the actual conditions of corporate governance of the Company are compliant with the rules and requirements of normative documents including the Guidelines for Corporate Governance of Listed Companies without deviation.

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

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

☐ Yes ☒ No

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

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

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

III. COMPETING BUSINESS

✓ Applicable ☐ Not applicable

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

Each of the Covenantors hereby confirmed that since the date of the non-competition undertaking letter (i.e. 10 January 2014) and up to 31 December 2020, the Covenantor and the companies under his/her/its control (other than the Company and its subsidiaries) have strictly complied with and enforced the terms of the non-competition undertaking without breaching any terms of the non-competition undertaking letter under any circumstances.

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

IV. GENERAL MEETINGS CONVENED DURING THE YEAR

1. General Meetings during the Year

Meeting	Type of meeting	Participation Percentage of Investors	Date of meeting	Disclosure date of A Shares	Disclosure index ^{Note}
2020 First Extraordinary General Meeting	Extraordinary General Meeting	52.1342%	11 February 2020	12 February 2020	Announcement on Resolutions of the 2020 First Extraordinary General Meeting (Announcement No.: 2020-007)
2020 Second Extraordinary General Meeting	Extraordinary General Meeting	50.7077%	26 March 2020	27 March 2020	Announcement on Resolutions of the 2020 Second Extraordinary General Meeting, the 2020 First Class Meeting of A Shareholders and the 2020 First Class Meeting of H Shareholders (Announcement No.: 2020-025)
2020 First Class Meeting of A Shareholders	Class Meeting	41.7078%			
2020 First Class Meeting of H Shareholders	Class Meeting	69.4665%			
2019 Annual General Meeting	Annual General Meeting	53.6976%	25 May 2020	26 May 2020	Announcement on Resolutions of the 2019 Annual General Meeting, the 2020 Second Class Meeting of A Shareholders and the 2020 Second Class Meeting of H Shareholders (Announcement No.: 2020-047)
2020 Second Class Meeting of A Shareholders	Class Meeting	44.4783%			
2020 Second Class Meeting of H Shareholders	Class Meeting	71.5098%			
2020 Third Extraordinary General Meeting	Extraordinary General Meeting	54.2963%	30 June 2020	1 July 2020	Announcement on Resolutions of the 2020 Third Extraordinary General Meeting (Announcement No.: 2020-071)
2020 Fourth Extraordinary General Meeting	Extraordinary General Meeting	52.8513%	20 November 2020	21 November 2020	Announcement on Resolutions of the 2020 Fourth Extraordinary General Meeting (Announcement No.: 2020-127)
2020 Fifth Extraordinary General Meeting	Extraordinary General Meeting	52.1573%	11 December 2020	12 December 2020	Announcement on Resolutions of the 2020 Fifth Extraordinary General Meeting (Announcement No.: 2020-140)
2020 Sixth Extraordinary General Meeting	Extraordinary General Meeting	53.3925%	23 December 2020	24 December 2020	Announcement on Resolutions of the 2020 Sixth Extraordinary General Meeting, the 2020 Third Class Meeting of A Shareholders and the 2020 Third Class Meeting of H Shareholders (Announcement No.: 2020-145)
2020 Third Class Meeting of A Shareholders	Class Meeting	44.7389%			
2020 Third Class Meeting of H Shareholders	Class Meeting	67.0546%			

Note: Disclosure index is published on Cninfo.

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

☐ Applicable ☒ Not applicable

V. PERFORMANCE OF DUTIES BY INDEPENDENT DIRECTORS DURING THE YEAR

1. Independent Directors' Attendance to Board Meetings and General Meetings

Attendance of Board meetings and general meetings
during their term of office

Name of Independent Director	Number of Board Meetings required to be attended during the Year	Attendance in person	Attendance by telecommunication	Attendance by proxy	Absence	Unable to attend in person for two consecutive meetings	Attendance of general meeting(s)/ Number of general meetings convened
Xu Yanjun	6	0	6	0	0	No	3/8
Bai Hua	9	0	9	0	0	No	0/5
Zheng Zhihua	15	0	15	0	0	No	3/13
Xie Yun	15	0	15	0	0	No	7/13
Tian Qiusheng	15	0	15	0	0	No	5/13
Wong Kam Wa	15	0	15	0	0	No	0/13

Note: The above table is compiled in accordance with the relevant requirements of CSRC and the Shenzhen Stock Exchange. Mr. Xu Yanjun retired as an independent non-executive Director of the Company with effect from 30 June 2020 due to the expiration of his 6-year term of office as a Director. Mr. Bai Hua was appointed as an independent non-executive Director of the Company on 30 June 2020.

Explanation on the absence from the Board meeting twice in succession

☐ Applicable ☒ Not applicable

2. Independent Directors' Objection to Any Matters Related to the Company

Any objections to the matters related to the Company from the Independent Directors

☐ Yes ☒ No

Independent Directors have no objection to any matters related to the Company during the Year.

3. Other Explanations about Performance of Duties by Independent Directors

Whether the opinions from the independent Directors of the Company are adopted

☐ Yes ☐ No ☒ Not applicable

VI. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO THE HONG KONG LISTING RULES

1. Compliance with the Corporate Governance Code

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

The Company confirmed that during the period from 1 January 2020 to 31 December 2020, the Company 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, except for the following deviation:

According to E.1.2 of the Code Provisions, the chairman of the Board shall attend annual general meetings. Mr. Zhu Baoguo, the chairman of the Board, did not attend the 2019 Annual General Meeting of the Company due to urgent business trip.

2. Securities Transactions of Directors and Supervisors

The Company has adopted the Model Code as set out in Appendix 10 of the Hong Kong Listing Rules as its own Model Code regarding the securities transactions in the H Shares of the Company by the Company's Directors, Supervisors and the "Relevant Employees" as defined in the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules. After making due and specific enquiries to all of the Directors and Supervisors of the Company, the Company was not aware of any information which has reasonably revealed that each of the Directors and Supervisors has not complied with the standards required by the above-mentioned code during the period from 1 January 2020 to the date of this Report. All Directors and Supervisors have confirmed that they have complied with the standards as set out in the above codes during the period from 1 January 2020 to the date of this Report. The Company has also made specific enquiry to all of the employees in respect of compliance to the standards set out in the above-mentioned code by the employees, and note that there has been no incident of non-compliance with the standards as set out in the above-mentioned code.

3. Board

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

VI. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO THE HONG KONG LISTING RULES *(Continued)*

3. Board *(Continued)*

The members of the Board of the Company are elected at and accountable to the shareholders' general meetings, and shall exercise the following authority and powers: (1) to convene general meetings and report to the meetings; (2) to implement the resolutions passed at general meetings; (3) to determine the Company's business plans and investment schemes; (4) to prepare the Company's annual financial budget and final accounts; (5) to formulate the Company's profit distribution plan and loss recovery plan; (6) to formulate proposals for increases or reductions of the Company's registered capital and for the issuance and listing of corporate bonds or other securities; (7) to draft plans for material acquisition, acquisition of the shares of the Company under the circumstances as required in (i) and (ii) of the first paragraph of Article 27 of these Articles of Association, merger, division, dissolution or change in corporate form; (8) to determine the acquisition of the shares of the Company under the circumstances as required in (iii) to (vii) of the first paragraph of Article 27 of these Articles of Association within the authorisation of the general meeting; (9) save as otherwise provided by the securities regulatory authorities and the stock exchanges where the shares of the Company is listed, to determine matters relating to the Company's external investment, asset acquisition and disposal, asset mortgage, external guarantee, asset management mandate and connected transaction within the authorisation of the general meeting; (10) to determine the establishment of the Company's internal management structure; (11) to appoint or dismiss the Company's President and the secretary of the Board; and pursuant to the president's nominations, to appoint or dismiss senior officers including vice presidents and chief financial officer of the Company and to decide on their remuneration, rewards and penalties; (12) to formulate the Company's basic management system; (13) to formulate the proposed amendments to these Articles of Association; (14) to deal with information disclosures of the Company; (15) to propose to the general meeting for appointment or replacement of the accounting firms serving as the auditors of the Company; (16) to receive work report submitted by the president and to review his performance; (17) to exercise other duties and powers specified in the laws, administrative regulations, rules of regulatory authorities or these Articles of Association.

The Board is responsible for performing the functions set out in the code provision D.3.1 of the Corporate Governance Code to ensure that the Company establishes good corporate governance policies, practices and procedures. During the Year, the Board:

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

As at the disclosure date of this Report, the Board of the Company has a total of eleven members, of which two executive Directors are Tang Yanggang (President) and Xu Guoxiang (Vice Chairman and Vice President); four non-executive Directors are Zhu Baoguo (Chairman), Tao Desheng (Vice Chairman), Qiu Qingfeng and Yu Xiong; and five independent non-executive Directors are Bai Hua, Zheng Zhihua, Xie Yun, Tian Qiusheng and Wong Kam Wa. For details of the biographies of the above Directors, please refer to Section IX "Directors, Supervisors and Senior Management" of this Report.

VI. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO THE HONG KONG LISTING RULES *(Continued)*

3. Board *(Continued)*

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

		Attendance of relevant meetings during their term of office/Number of relevant meetings held during their term of office	
		General meetings (including class meetings)	
Name	Position	Board meetings	
I. Executive Directors			
Tang Yanggang	Director, President	15/15	9/13
Xu Guoxiang	Vice Chairman, Vice President	15/15	0/13
II. Non-executive Directors			
Zhu Baoguo	Chairman	15/15	0/13
Tao Desheng	Vice Chairman	15/15	8/13
Qiu Qingfeng	Director	15/15	0/13
Yu Xiong	Director	9/9	0/5
III. Independent Non-executive Directors			
Xu Yanjun	Independent Director	6/6	3/8
Bai Hua	Independent Director	9/9	0/5
Zheng Zhihua	Independent Director	15/15	3/13
Xie Yun	Independent Director	15/15	7/13
Tian Qiusheng	Independent Director	15/15	5/13
Wong Kam Wa	Independent Director	15/15	0/13

Note: Mr. Xu Yanjun retired as an independent non-executive Director of the Company with effect from 30 June 2020 due to the expiration of his 6-year term of office as a Director. On 30 June 2020, Mr. Bai Hua and Mr. Yu Xiong were appointed as independent non-executive Director and non-executive Director of the Company, respectively.

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

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

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

VI. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO THE HONG KONG LISTING RULES *(Continued)*

3. Board *(Continued)*

Training and professional development: the Company arranged for Directors to participate in professional training organised by the CSRC and the Shenzhen Stock Exchange from time to time for obtaining training qualification certificates or qualification certificates recognised by relevant authority, and regularly provide all Directors with relevant updates on regulations, industry information and Directors' duties. Meanwhile, Directors are encouraged to participate in courses and lectures organised by professional institutions to enhance the Directors' continuous professional development and further education and update their knowledge and skills. All Director have provided records of training they have taken during the year ended 31 December 2020 and attended trainings rendered by professional groups and/or learned materials about their duties and responsibilities.

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

Note: Mr. Xu Yanjun retired as an independent non-executive Director of the Company with effect from 30 June 2020 due to the expiration of his 6-year term of office as a Director. On 30 June 2020, Mr. Bai Hua and Mr. Yu Xiong were appointed as independent non-executive Director and non-executive Director of the Company, respectively.

VI. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO THE HONG KONG LISTING RULES *(Continued)*

4. Chairman and President

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

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

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

5. Independent Non-Executive Directors

The Board comprises of five independent non-executive Directors, exceeding the minimum requirement under the Hong Kong Listing Rules in relation to the number of independent non-executive Directors. Mr. Xu Yanjun, being an independent non-executive Director of the Company (retired as an independent non-executive Director of the Company with effect from 30 June 2020 due to the expiration of his 6-year term of office as a Director), and Mr. Bai Hua (appointed as an independent non-executive Director of the Company on 30 June 2020) possess appropriate accounting and financial management expertise, which is in compliance with the requirements under Rule 3.10 of the Hong Kong Listing Rules. For the biography of Mr. Bai Hua, please refer to Section IX of this Report. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

6. Directors' Term of Office

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

VI. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO THE HONG KONG LISTING RULES *(Continued)*

7. Directors' Responsibility for the Financial Statements

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

8. Special Committees of the Board

Pursuant to the Corporate Governance Code, three committees are set up under the Board, namely the Audit Committee, the Remuneration and Assessment Committee, and the Nomination Committee, so as to oversee specific scopes concerning the state of affairs of the Company. Each of the Board committees has specific term of reference in writing. The written term of reference for each of the Board committees are published on HKExnews and Company's website. Apart from the requirements under the Hong Kong Listing Rules and the Corporate Governance Code, the Company has also established the Strategy Committee in order to monitor the Company's long-term development strategic plan, conduct research and give recommendations thereon. In addition, the Environmental, Social and Governance ("ESG") Committee (the "ESG Committee") was established by the tenth session of the Board on 30 June 2020 to promote the development and implementation of ESG affairs of the Group.

Audit Committee

The Audit Committee under the tenth session of the Board comprises three independent non-executive Directors of the Company. The chairman of the committee is Mr. Bai Hua (On 30 June 2020, Mr. Xu Yanjun retired as an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration and Assessment Committee of the Company after expiration of his 6-year term of office as a Director. On the same date, Mr. Bai Hua was appointed as an independent non-executive Director of the tenth session of the Board of the Company and the chairman of the Audit Committee of the tenth session of the Board of the Company) and other committee members are Mr. Xie Yun and Mr. Zheng Zhihua. Mr. Xu Yanjun and Mr. Bai Hua possess 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 examine reports submitted in confidence by the Company's employees in relation to concern of possible improprieties in financial reporting, internal control or other aspects, and give relevant suggestions.

During the Year, the Audit Committee had discussed the Group's annual, interim and quarterly financial statements, reviewed the accounting principles and practices, internal supervision system and considered audit conducted and fees charged by auditor. On 22 March 2021, the Committee reviewed the 2020 Self-Evaluation Report on Risk Management and Internal Control.

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

- (1) On 2 January 2020, the fifteenth meeting of the Audit Committee of the ninth session of the Board was held by way of telecommunication, during which the Resolution on the 2019 Financial Audit Plan of Livzon Pharmaceutical Group Inc. was considered and approved.
- (2) On 26 February 2020, the sixteenth meeting of the Audit Committee of the ninth session of the Board was held by way of telecommunication, during which the Resolution on Consideration of the 2019 Auditors' Report (Draft) and the Resolution on Consideration of the 2019 Final Financial Report were considered and approved.

SECTION X CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

VI. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO THE HONG KONG LISTING RULES *(Continued)*

8. Special Committees of the Board *(Continued)*

Audit Committee *(Continued)*

- (3) On 9 March 2020, the seventeenth meeting of the Audit Committee of the ninth session of the Board was held by way of telecommunication, during which the Resolution on Consideration of the 2019 Auditors' Report, the Resolution on Consideration of the 2019 Results Announcement and the Annual Report (Draft), the Resolution on Consideration of Continuing Connected Transactions, the Resolution on Consideration of the 2019 Self-Evaluation Report on Risk Management and Internal Control, the Resolution on Reviewing the Arrangements for Concerned by Employees for Inappropriate Acts, the Resolution on Consideration of the Evaluation Report on the Audit Work Carried Out by Grant Thornton (Special General Partnership) for the year 2019 and the Resolution on Considering the Re-appointment of Grant Thornton (Special General Partnership) as the Audit Firm of the Company for the year 2020 were considered and approved.
- (4) On 15 April 2020, the eighteenth meeting of the Audit Committee of the ninth session of the Board was held by way of telecommunication, during which the Resolution on the Unaudited Consolidated Financial Statements and the Quarterly Results Announcement for Three Months Ended 31 March 2020 of the Company and its Subsidiaries was considered and approved.
- (5) On 20 August 2020, the first meeting of the Audit Committee of the tenth session of the Board was held on-site at the conference room at the 4th floor of the headquarter of the Company, during which the Resolution on Consideration of the Unaudited Interim Results Announcement, the Interim Report, Consolidated Financial Reports for the Six Months Ended 30 June 2020 of the Company, the Resolution on Consideration of Continuing Connected Transaction of the Company for the First Six Months of 2020 and the Resolution on Consideration of Specific Report on Deposit and the Actual Use of the Fund Raised from Non-public Issuance of A Shares by the Company were considered and approved.
- (6) On 22 October 2020, the second meeting of the Audit Committee of the tenth session of the Board was held by way of telecommunication, during which the Resolution on Consideration of the Unaudited Consolidated Financial Statements and the Quarterly Results Announcement for Nine Months Ended 30 September 2020 of the Company and its Subsidiaries and Special Report of the Company on the Deposit and the Actual Use of the Fund Raised as at 30 September 2020 were considered and approved.

Remuneration and Assessment Committee

The Remuneration and Assessment Committee under the tenth session of the Board is comprised of three Directors. The chairman of the committee is Mr. Zheng Zhihua (independent non-executive Director) and other committee members are Mr. Tao Desheng (non-executive Director) and Mr. Bai Hua (independent non-executive Director) (On 30 June 2020, Mr. Xu Yanjun retired as an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration and Assessment Committee of the Company after expiration of his 6-year term of office as a Director. On the same date, Mr. Bai Hua was appointed as an independent non-executive Director of the tenth session of the Board of the Company and a member of the Remuneration and Assessment Committee of the tenth session of the Board of the Company). The member composition is in compliance with the requirements under Rule 3.25 of the Hong Kong Listing Rules. The key responsibilities of the Remuneration and Assessment Committee are to assess and review and advice the Board on the remuneration packages for and the performance of the chairman of the Board, executive Directors and senior management of the Company, and to make recommendations to the Board on the policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, so as to ensure that any Director or any of their associates shall not be involved in fixing their remuneration and related matters.

VI. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO THE HONG KONG LISTING RULES *(Continued)*

8. Special Committees of the Board *(Continued)*

Remuneration and Assessment Committee *(Continued)*

During the Year, the Remuneration and Assessment Committee held four meetings to consider matters on assessing, reviewing and making recommendations to the Board on remuneration, remuneration policy and framework of the Directors of the tenth session of the Board and senior management of the Company (including president and vice president) and the interests of the Company as a whole and 2018 Share Options Incentive Scheme.

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

Nomination Committee

The Nomination Committee under the tenth session of the Board is comprised of three Directors. The chairman of the committee is Mr. Xie Yun (independent non-executive Director) and other committee members are Mr. Zheng Zhihua (independent non-executive Director) and Mr. Tao Desheng (non-executive Director). The member composition is in compliance with the requirements under code provision A.5.1 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, ages, cultural and education background, skills, knowledge and experience); to study the criteria and procedures for selection and appointment of Directors and senior management, and to make recommendations thereon to the Board; to advise the Board on the appointment or re-appointment of Directors and succession plan for Directors (particularly the chairman and the president); and to evaluate the independence of independent non-executive Directors.

During the Year, the Nomination Committee held three meetings to consider matters on nomination of non-independent Directors and independent Directors of the tenth session of Board, the chairman and vice chairman of the tenth session of Board and senior management of the Company, review the Board Diversity Policy and monitoring its implementation, assess independence of the independent non-executive Directors, review the structure, number of members and composition of the Board and make recommendations on its size and composition.

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

VI. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO THE HONG KONG LISTING RULES *(Continued)*

8. Special Committees of the Board *(Continued)*

Nomination Committee *(Continued)*

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

The Company is of the view that the diversity of the Board is one of the essential factors in sustaining the competitive edge of the Company and facilitating the sustainable development of the Company. The Company formulated the Board Diversity Policy (the "Policy"). Under the Policy, when considering the composition of the Board, the Company shall consider various aspects for the Board diversity, including but not limited to gender, age, cultural and educational background, professional qualifications, skills and knowledge etc. On top of the above basis, the Company shall make decisions in accordance with objective conditions such as comprehensive values that the candidates can bring to the business and development of the Company, contributions that the candidates can make to the Board whilst ensuring the diversity of the Board. In order to ensure the effectiveness of the Policy, the Nomination Committee of the Company will periodically monitor and review the Policy. The Company is of the view that the current composition of the Board is a balanced and diversified mix that is suitable for the Company's business development.

Strategy Committee

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

ESG Committee

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

During the Year, the ESG Committee held one meeting to approve the establishment of a working group under the ESG Committee and to grant the committee secretary (i.e. the Company Secretary) the right to acquire information.

VI. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO THE HONG KONG LISTING RULES *(Continued)*

8. Special Committees of the Board *(Continued)*

Attendance of the meetings of Special Committees of the Board

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

		Attendance of relevant meetings during their term of office/Number of relevant meetings held during their term of office				
Name	Position	Meetings of Audit Committee	Meetings of Nomination Committee	Meetings of Remuneration and Assessment Committee	Meetings of Strategy Committee	Meetings of ESG Committee
Zhu Baoguo	Non-executive Director, Chairman	N/A	N/A	N/A	0/0	1/1
Tang Yanggang	Executive Director	N/A	N/A	N/A	0/0	1/1
Tao Desheng	Non-executive Director, Vice Chairman	N/A	3/3	4/4	0/0	N/A
Xu Yanjun	Independent Non-executive Director	4/4	N/A	2/2	N/A	N/A
Bai Hua	Independent Non-executive Director	2/2	N/A	2/2	N/A	1/1
Xie Yun	Independent Non-executive Director	6/6	3/3	N/A	N/A	N/A
Zheng Zhihua	Independent Non-executive Director	6/6	3/3	4/4	N/A	1/1
Wong Kam Wa	Independent Non-executive Director	N/A	N/A	N/A	N/A	1/1

Note: Mr. Xu Yanjun retired as an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration and Assessment Committee of the Company due to the expiration of his 6-year term of office as a Director, with effect from 30 June 2020. Mr. Bai Hua and Mr. Yu Xiong were appointed as independent non-executive Director and non-executive Director of the Company on 30 June 2020, respectively. On 30 June 2020, Mr. Bai Hua was appointed as the chairman of the Audit Committee, a member of the Remuneration and Assessment Committee and a member of the ESG Committee, Mr. Zhu Baoguo was appointed as the chairman of the ESG Committee, and Mr. Tang Yanggang, Mr. Zheng Zhihua and Mr. Wong Kam Wa were appointed as members of the ESG Committee.

VI. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO THE HONG KONG LISTING RULES *(Continued)*

9. Communication with Shareholders

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

Information disclosure on the Company's website

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

Telephone number and email

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

Convening of general meetings

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

10. Shareholders' Rights

Procedure for convening general meetings by shareholders

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

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

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

VI. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO THE HONG KONG LISTING RULES *(Continued)*

10. Shareholders' Rights *(Continued)*

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

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

All reasonable expenses incurred by the shareholders to convene a general meeting where the Board and the Supervisory Committee fail to do so shall be assumed by the Company."

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

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

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

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

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

Procedure for delivering Shareholders' inquiries to the Board

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

VI. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO THE HONG KONG LISTING RULES *(Continued)*

10. Shareholders' Rights *(Continued)*

Procedure for submission of Shareholders' proposals to general meetings

Pursuant to Article 78 of the Articles of Association: "The Board, the Supervisory Committee, and Shareholder(s) individually or jointly holding more than 3% of the Company's shares shall have the right to submit proposed resolutions to the Company for a general meeting of the Company. If those proposals are within the functions and powers of the general meeting, they are required to be added to the agenda of the general meeting.

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

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

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

Investor relations

The Company serves and visits investors to introduce the business of the Group in a timely manner. In addition, the Company shall promptly answer questions raised by the public and individual Shareholders through calls, interactive platform of the Shenzhen Stock Exchange, etc. Under any circumstances, the Company shall adopt prudent attitude to ensure it shall not make selective disclosure of any information that affects share prices.

11. Articles of Association

During the Year, the Company made two amendments to the Articles of Association.

On 11 February 2020, the Company convened the 2020 first extraordinary general meeting to approve the amendments to the Articles of Association, in order to enhance the efficiency of decision making at Company' general meetings and simplify the procedures of convening general meetings of the Company. Therefore, the Company made amendments to Article 1, Article 46, Article 79, Article 80, Article 81 and Article 134 of the Articles of Association on 11 February 2020, and the numbering of articles of the amended Articles of Association were re-numbered due to the deletion of Article 80. Details of such amendments are available in the announcements of the Company dated 23 December 2019 and 24 December 2019 as published on Company's website, HKExnews and Cninfo.

On 11 December 2020, the Company convened the 2020 fifth extraordinary general meeting to approve the amendments to the Articles of Association, in order to reflect the changes in the share capital and registered capital of the Company due to the exercise of share options in the first exercise period under the first grant of the 2018 Share Options Incentive Scheme of the Company. Therefore, the Company made amendments to Article 6 and Article 21 of the Articles of Association on 11 December 2020, details of which are available in the announcements of the Company dated 16 November 2020 and 17 November 2020 as posted on Company's website, HKExnews and Cninfo.

VI. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO THE HONG KONG LISTING RULES *(Continued)***12. The Company's Profit Distribution Policy**

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

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

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

- (5) The Company may distribute cash dividend, provided that the following conditions are fulfilled: (i) Positive figures are recorded for the distributable profits of the Company (i.e. post-tax profit left after the loss recovery and accrual of the reserves) during the year; and (ii) A standard unqualified audit report is issued by an auditor for the financial report of the Company during the year;
- (6) Conditions for the Company to declare script dividend: subject to the fulfilment of the conditions for declaring cash dividend, if the operating income and net profit of the Company show rapid growth, in addition to propose a cash dividend proposal, the Board of the Company can propose a script dividend proposal if it considers the scale of the share capital and shareholding structure of the Company are reasonable.

VI. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO THE HONG KONG LISTING RULES *(Continued)*

12. The Company's Profit Distribution Policy *(Continued)*

The Shareholders' return plan of the Company for 2019-2021 as required in the Shareholders' Return Plan for the Three Years (2019-2021) of the Company, which has been approved in the general meeting dated 11 February 2020, is set out as follows:

(1) Distribution principle

The Company implements the dividend distribution principle of equal shares entitling to equal profits, under which dividends and other forms of benefits are distributed to shareholders in proportion to the number of shares they hold. In distributing its profits, the Company shall attach importance to delivering reasonable investment returns to shareholders taking into account the Company's sustainable development, and shall be committed to maintaining the continuity and stability of the distribution policy. The distribution of profits shall neither exceed the scope of the cumulative distributable profits, nor shall it be detrimental to the Company's ability to continue its operation.

(2) Distribution method

The Company may distribute profits in the form of cash, stocks, a combination of cash and stocks, or other methods permitted by the laws and regulations.

(3) Conditions and proportions for the distribution of profits

(i) Conditions and proportions for the distribution of cash dividends

During the term of the plan, any distribution of cash dividends by the Company shall meet the following conditions: the distributable profit achieved by the Company in the previous year (namely the Company's remaining after-tax profit after making up for the losses and extracting the provident fund) is positive; a standard unqualified audit report has been issued by the auditing institution on the Company's financial reports for the previous year; no major investment plan or significant cash expenditure and other matters will occur in the future.

Major investment plan or significant cash expenditure shall refer to one of the following situations: the Company's cumulative expenditures on its proposed external investments, acquisitions or asset purchases in the next 12 months has reached or exceeded 50% of the Company's latest audited net assets and that the sum has exceeded RMB50 million; the Company's cumulative expenditures on its proposed external investments, acquisitions or asset purchases in the next 12 months has reached or exceeded 30% of the Company's latest audited total assets.

VI. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO THE HONG KONG LISTING RULES *(Continued)***12. The Company's Profit Distribution Policy** *(Continued)*

(3) Conditions and proportions for the distribution of profits *(Continued)*

(i) Conditions and proportions for the distribution of cash dividends *(Continued)*

During the term of the plan, in the case where the conditions for paying out cash dividends and the capital requirements for its normal production and operation are met, the Company shall actively distribute profits in the form of cash, and the profits to be distributed in cash each year shall not be less than 80% of the distributable profit achieved in the current year.

In the case where the Company adopts a tender offer or the centralised bidding method to repurchase its shares using cash as consideration, the amount of shares repurchased in the current year shall be deemed as the amount of cash dividends to be paid and shall be included in the calculation of relevant proportions for the distribution of cash dividends for the year.

(ii) Conditions for the distribution of stock dividends

On the premise that the payment of cash dividends is fulfilled, if increasing the Company's share capital is considered to be necessary and beneficial to the overall interests of all shareholders of the Company, the Board of the Company may propose a plan for the distribution of stock dividends or the conversion of capital reserves into share capital.

(4) Intervals for the distribution of profit

In the case where the aforementioned conditions for the distribution of dividends are met, the Company shall actively distribute dividends in the form of cash, and in principle distribute profits on an annual basis. However, if conditions allow, the Company may pay out interim cash dividends. If the Company decides to pay out interim cash dividends without distributing bonus shares or converting capital reserves into share capital, the interim financial report may not be audited.

VII. AUDITOR' REMUNERATION

Disclosure of the auditor' remuneration is set out in the "APPOINTMENT AND DISMISSAL OF THE ACCOUNTING FIRM" in Section V of this Report.

VIII. COMPANY SECRETARY

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

IX. WORK OF THE SUPERVISORY COMMITTEE

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

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

☐ Yes ☒ No

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

X. RISK MANAGEMENT AND INTERNAL CONTROL

In 2020, the risk management and internal control of the Company mainly focus on internal environment, risk assessment, control, information and communication and internal supervision. Its scope includes principal business and major events of the Company and its subsidiaries with an focus on risk management and internal control for high risk areas including fund management, R&D, quality control, asset management, sales, connected transactions. It focuses on daily regulated operations, integrity building, prevention and handling of internal and external risk in the operations.

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

The Company has established the Department of Audit and Integrity which is responsible for the audit of each department of the Company. Department of Audit and Integrity carries out audit work in accordance with the audit plan established by the Company, performs audit annually on the risk management, internal control system and financial position of each subsidiary, confirms and assesses the completeness and effectiveness of risk management and internal control system of each subsidiary and continues to supervise and review regularly. In accordance with the audit needs, the Company established an audit team comprising the Department of Audit and Integrity (as the leader) and staff from departments of laws, human resources, finance, engineering center and production technology, in order to carry out a comprehensive and special audit work on subsidiaries of the Company, the off office audit and economic responsibility audit for the management staff and recommend remedies for existing problems, organize and complete internal audit correction and self-inspection of the subsidiaries. In 2020, the Department of Audit and Integrity strengthened the special audit of key businesses while fulfilling the Company's comprehensive audit plan, to achieve a full coverage of audit projects and audit matters. Department of Audit and Integrity shall prepare the comprehensive and special audit reports in accordance with specific audit contents, supervise the remedies of audited departments simultaneously, report to the management of the Group, and the management of the Group shall regularly report to the Audit Committee and the Board on effectiveness of the risk management and internal control system.

X. RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

In 2020, the Company continued to strengthen the procurement management of the assets, coordinated the development, allocation and utilization of the Company's productive resources, standardized procurement business processes, formulated and strictly implemented corresponding system. The Company required that the bulk procurement of materials and engineering equipment of each subsidiary should be subject to public bidding, with the Company's legal and compliance head department, production and technology head department and risk management head department participating together. The Company strengthened its supervision and management of major engineering projects through review at the beginning, strict control of access, pre-qualification review and on-site inspection of bidders before tendering; made follow-up check of construction process every quarter, including on-site construction progress and payment, procurement and use of materials, variation of project quantity, and supervisors' job duties; and paid adequate attention to post oversight, enhancing the whole-process supervision. A spot check of files and contracts on tendering (procurement), financial payments and other information was made quarterly, thereby adopting the participation at the beginning and control during the process instead of the post supervision for procurement.

According to the requirement of optimizing corporate governance structure and internal control system of the Company, the Company was devoted to strengthening and optimizing risk management and internal control system, and internal audit work was gradually professionalized, formulated and standardized. The Company continued to strengthen the system establishment, build internal audit system which is aligned with the development of the Company, establish risk management procedure and guidance of various terms of reference, amend and optimize relevant audit system, code of conduct for audit personnel, audit standards, audit business guidelines, complaints reporting management system and audit files management system.

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

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

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

XI. INTERNAL CONTROL

The material weakness discovered in internal control during the Year

☐ Yes ☒ No

Self-Evaluation Report on Risk Management and Internal Control

During the Year, the Board had conducted a review of effectiveness and adequacy of the risk management and internal control of the Group for the year ended 31 December 2020, including the supervision on finance, operation and compliance, as well as an assessment on internal environment and risks. Through the review, the Board had found no material and important weaknesses that indicates inefficient internal control of the Group. The Board considers the risk management and internal control systems of the Group are effective and adequate.

The disclosure date of the text of Evaluation Report on Internal Control	23 March 2021
The index of the text of Evaluation Report on Internal Control	Please refer to the 2020 Self-Evaluation Report on Risk Management and Internal Control of Livzon Pharmaceutical Group Inc. disclosed on Cninfo.
The proportion of the total assets of the units within the scope of evaluation in the total assets of the Company's combined financial statements	99.76%
The proportion of the operation income of the units within the scope of evaluation in the operation income of the Company's combined financial statements	100%

XI. INTERNAL CONTROL *(Continued)***Self-Evaluation Report on Risk Management and Internal Control** *(Continued)*

Weakness identification standards			
Type	Financial statement		Non-financial statement
Qualitative standard	- Weaknesses with the following characters shall be identified as material weaknesses: - ineffective control environment; - the management of the Company has fraud of any degree; - the material misstatements found by external auditor was not first found by the Company; - the weaknesses relating to the total amount of the affected connected transactions exceeds the quota of connected transactions approved by the shareholders; - Important weaknesses: combination of one or more weaknesses, the severity of which is lower than material weaknesses, but it is severe to cause the Company not to prevent or discover the deviation of overall control target, which shall raise the attention of the management of Company. - General weaknesses: other control weaknesses that do not constitute material or important weaknesses.	- Weaknesses with the following characters shall be identified as material weaknesses: - severe violation against laws and regulations; - the material weaknesses on internal control already found and reported to the management has not been rectified after a reasonable period of time; - other than policy-related losses, the Company's continuing operation is subject to challenges with losses in successive years; - failure in merger and acquisition and reorganization, or the newly expanded subsidiaries are difficult to sustain the operation; - resignation of the management of the Company or severe loss of staff on key positions, repeated negative news coverage by the media. - Important weaknesses: combination of one or more weaknesses, the severity of which is lower than material weaknesses, but it is severe to cause the Company not to prevent or discover the deviation of overall control target, which shall raise the attention of the management of Company. - General weaknesses: other control weaknesses that do not constitute material or important weaknesses.	
Quantitative standard	- General weaknesses: combined misstatements < 3% of the profit before tax in the combined statements; - Important weaknesses: 3% of the profit before tax in the combined statements ≤ combined misstatements < 5% of the profit before tax in the combined statements; - Material weaknesses: combined misstatements ≥ 5% of the profit before tax in the combined statements	- General weaknesses: direct loss amount ≤ 3% of the total assets in the combined statements; - Important weaknesses: 3% of the total assets in the combined statements < direct loss amount ≤ 5% of the total assets in the combined statements; - Material weaknesses: direct loss amount > 5% of the total assets in the combined statements	
Number of material weaknesses	0		
in financial statement			
Number of material weaknesses	0		
in non-financial statement			
Number of important	0		
weaknesses in financial			
statement			
Number of important	0		
weaknesses in non-financial			
statement			

XII. AUDITOR' REPORT ON INTERNAL CONTROL

☒ Applicable ☐ Not applicable

The paragraph of audit opinions in the Auditor' Report on Internal Control

Grant Thornton (Special General Partnership) issued the Auditor' Report on Internal Control (GTC SZ (2021) No.442A004439) for the Company's internal control during the year of 2020, with the following audit opinion: on 31 December 2020, Livzon Pharmaceutical Group Inc. maintained effective financial statement internal control in all material aspects pursuant to "Basic Ordinance of Corporation Internal Control" and relevant provisions.

Disclosure of the Auditor' Report on Internal Control	Disclosed
The disclosure date of the text of the Auditor' Report on Internal Control	23 March 2021
The index of the text of the Auditor's Report on Internal Control	Please refer to the Auditor' Report on Internal Control disclosed on Cninfo
Type of opinions in the Auditor' Report on Internal Control	Standard unqualified opinion
Whether material weaknesses existed in the non-financial statements	No

Whether the accounting firm issued a non-standard auditor's report on internal control

☐ Yes ☒ No

Whether the Auditor's Report on Internal Control issued by the accounting firm in in line with the self-evaluation report of the Board

☒ Yes ☐ No

☐ Applicable ☒ Not applicable

The Company has not issued any corporate bonds to the public and for listing on the stock exchanges.

**Grant Thornton (Special General Partnership)**

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AUDITORS' REPORT

GTC SZ (2021) No. 442A004437

To the Shareholders of Livzon Pharmaceutical Group Inc:**I. AUDIT OPINIONS**

We have audited the financial statements of Livzon Pharmaceutical Group Inc. (麗珠醫藥集團股份有限公司) (hereinafter referred to as the "Company"), which comprise the consolidated and company balance sheets as at 31 December 2020, the consolidated and company income statements, the consolidated and company cash flow statements, and the consolidated statement of changes in shareholders' equity and the statement of changes in shareholders' equity of the Company for the year 2020 together with the relevant notes thereto.

In our opinion, the accompanying financial statements are, in all material aspects, prepared in accordance with the Accounting Standards for Business Enterprises and give a fair view on the consolidated financial positions and the financial positions of the Company as at 31 December 2020 and the consolidated operation results and operation results and the consolidated cash flows and cash flows of the Company for the year 2020.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Our responsibilities under those standards are further described in the "CERTIFIED PUBLIC ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS" section of our report. We are independent of the Livzon Group and the Company in accordance with the Code of Ethics for Chinese Certified Public Accountant, and we have fulfilled our other ethical responsibilities. We believe that the audit evidences obtained by us are sufficient and appropriate and provide basis for our audit opinions.

III. KEY AUDIT MATTERS

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

(I) Recognition of revenue

For details of the relevant information disclosure, please refer to Note III.28 and Note V.42 to the financial statements.

1. Item description

In 2020, the Company recorded revenue of RMB10,463.074 million from its principal business. Due to the importance of revenue to the financial statements as a whole and there is a risk of material misstatement in the truthfulness and accurate recognition of revenue in the appropriate period. Therefore, recognition of revenue is confirmed by us as a critical auditing item.

2. Auditing technique

- (1) Understand and evaluate the design of critical internal control of the management relating to the recognition of revenue, and test the effectiveness of exercising the critical control.
- (2) Obtain the agreement signed between the Company and the customer and verify the critical contractual terms, such as delivery of goods and inspection for acceptance; payment and settlement; policies on replacement and return of goods, etc.
- (3) By making enquiries on the business information of the customer and interviewing the relevant staff of the Company, confirm whether there is any connected relationship between the customer and the Company; and acquire an understanding on the reasons for a change in customer and the status of contractual performance, combining with statistics of the customer selected from the customer's business system linking directly to the Company and analyze the end-user sales of products purchased from the Company.
- (4) Obtain the records of replacement and return of goods from the supply chain system of the Company and carry out inspection to confirm whether there is any material unusual replacement or return of goods that affects the recognition of revenue.
- (5) Select a sample and check the contract, purchase order, voucher for delivery of goods, transportation vouchers, credit sales evidence, receipts of payments, periodic reconciliation statements, etc. The documentary evidence procedure should be performed on sales to important customers and unsettled account receivables.
- (6) Consider factors such as market and industrial trends and business expansion by product categories to carry out analysis procedure on revenue and analyze the reasonableness of changes in revenue.
- (7) Select a sample from the sales revenue transactions around the balance sheet date, check the sales contract, invoice, delivery voucher, transportation voucher, credit sales evidence, and evaluate whether revenue was recorded in the appropriate accounting period.

III. KEY AUDIT MATTERS *(Continued)***(II) Provision for bad debt of accounts receivables**

For details of the relevant information disclosure, please refer to Note III.10 and Note V.4 to the financial statements.

1. Item description

As at 31 December 2020, accounts receivables and provision for bad debt of the Company in the consolidated and company balance sheets amounted to RMB1,788.506 million and RMB45.358 million respectively, which were material to the overall financial statements. As the management need to apply significant accounting estimation and judgement in assessing the expected recoverable amount of accounts receivables, the financial statements would be significantly influenced if accounts receivables cannot be recovered on time or at all and causes bad debt loss. Therefore, provision for bad debt of accounts receivables is confirmed by us as a critical auditing item.

2. Auditing technique

- (1) Understand and evaluate the design of critical internal control of the management relating to managing accounts receivables, and test the effectiveness of exercising the critical control.
- (2) Understand the confirmation basis and process of expected credit loss rate, understand the key parameters and assumptions used in the expected credit loss model, including the basis for grouping accounts receivables based on customer credit risk characteristics and the historical mobility rate data included in the expected loss rate; assess whether the expected credit loss rate is considered and adjusted based on current economic conditions and forward-looking information appropriately by checking the information used to make judgments, including testing the accuracy of the historical mobility rate; and evaluate the reasonableness of the bad debt provision estimation.
- (3) Obtain the statement of provision for bad debt of accounts receivables; check whether the provision method is implemented in accordance with the policy relating to provision for bad debt; and remeasure whether the amount of provision for bad debt is accurate.
- (4) Analyze the proportion of the balance of provision for bad debt to accounts receivables at the end of the period; compare the amount of provision for bad debt in the previous period with the actually incurred amount; and analyze whether the provision for bad debt of accounts receivable are adequate.
- (5) Analyze the aging of accounts receivables and the creditworthiness of customers; and evaluate the reasonableness of the provision for bad debt of accounts receivables through audit procedures such as documentary evidence and checking receipts of payments after the period.

IV. OTHER INFORMATION

The Management of the Company (hereinafter referred to as the "Management") is responsible for other information, including the information included in the 2020 Annual Report of the Company but excluding the financial statements and our auditors' report.

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

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

IV. OTHER INFORMATION *(Continued)*

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

V. RESPONSIBILITIES OF THE MANAGEMENT AND THE GOVERNANCE TEAM FOR THE FINANCIAL STATEMENTS

The Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control as necessary to ensure the financial statements are free from material misstatement due to fraud or error.

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

The governance team is responsible for overseeing the Company's financial reporting process.

VI. CERTIFIED PUBLIC ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

In conducting an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, according the auditing standards, we are required to draw the attention of the users of financial statements in our auditors' report to the related disclosures in these financial statements or, if such disclosures are inadequate, to qualify our opinion. Our conclusions are based on the information obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

VI. CERTIFIED PUBLIC ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(Continued)*

- (5) evaluate the overall presentation, structure and content of the financial statements, and determine whether the financial statements represent the underlying transactions and matters in a manner that achieves fair presentation.
- (6) obtain sufficient appropriate audit evidences regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit, and are solely responsible for our audit opinion.

We have discussed with the governance team regarding, among other matters, the planned scope, timing and significant findings of the audit, including any significant deficiencies in internal control we have identified during the audit.

We have also provided the governance team with a statement that we have complied with relevant ethical requirements regarding independence, and discussed with them on all relationships and other matters that may reasonably be believed to have impact on our independence and, where applicable, related preventive measures.

From the matters we discussed with the governance team, we have determined which matters are of the most importance for the audit of the financial statements of the current period and are key audit matters. We have described such matters in our auditors' report unless such matters are prohibited by laws or regulations to be publicly disclosed, or in extremely rare circumstances, we have determined that a matter should not be discussed in our report on the ground that the adverse consequences of doing so would reasonably be expected to outweigh the public benefits of such discussion.

Grant Thornton (Special General Partnership)

Certified Public Accountants: Li Encheng (李恩成)
(Project Partner)

Certified Public Accountants: Zhang Fang (張芳)

Beijing, China
22 March 2021

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount at the End of the Year		Amount at the Beginning of the Year	
		Consolidated	Company	Consolidated	Company
Current assets:					
Monetary Fund	V.1	9,953,747,563.47	8,294,328,499.23	8,855,408,402.78	7,772,918,903.18
Financial assets held for trading	V.2	25,984,877.13	8,754,494.72	17,191,861.74	8,035,940.56
Bills receivables	V.3	1,148,944,595.17	688,384,493.33	952,945,194.97	569,150,368.41
Accounts receivables	V.4	1,743,148,037.38	857,024,809.25	1,472,438,936.26	652,604,102.82
Receivables financing					
Prepayments	V.5	142,174,129.24	13,438,567.51	186,231,922.16	23,285,852.64
Other receivables	V.6	74,284,405.28	1,370,317,540.56	91,848,022.04	1,620,041,222.11
Of which: Interest receivable					
Dividends receivable			434,213,482.03	11,475,000.00	573,412,484.96
Inventories	V.7	1,487,796,389.98	743,377,427.72	1,168,854,337.03	553,618,797.04
Contract assets					
Held-for-sale assets					
Non-current assets due within one year	V.8	11,414,376.07	10,967,767.26	17,497,288.62	17,497,288.62
Other current assets	V.9	39,862,609.49	8,628,913.28	110,786,443.02	4,752,848.61
Total current assets		14,627,356,983.21	11,995,222,512.86	12,873,202,408.62	11,221,905,323.99
Non-current assets:					
Debt investments					
Other debt investments					
Long-term receivables	V.10	584,284.36		10,828,143.63	10,828,143.63
Long-term equity investments	V.11	245,115,479.10	2,138,934,119.37	171,498,988.56	1,901,157,584.00
Other equity instrument investments	V.12	742,974,792.15	177,229,648.84	479,737,808.86	118,629,608.84
Other non-current financial assets					
Investment properties					
Fixed assets	V.13	3,303,077,566.22	97,140,873.58	3,160,096,367.19	83,020,764.96
Construction in progress	V.14	385,700,738.39		233,489,857.85	114,259.61
Productive biological assets					
Oil and gas assets					
Right-of-use assets	V.15	18,311,378.07	311,775.51		
Intangible assets	V.16	236,430,749.15	32,690,639.64	229,559,613.00	30,340,512.63
Development expenditure	V.17	251,389,209.57	2,826,633.88	148,504,020.49	
Goodwill	V.18	103,040,497.85		103,040,497.85	
Long-term deferred expenses	V.19	122,101,772.58	5,669,100.62	111,340,713.49	5,645,604.20
Deferred income tax assets	V.20	238,226,789.25	59,140,301.69	182,659,491.39	32,547,576.65
Other non-current assets	V.21	316,505,551.82	71,540,318.35	272,505,206.28	95,598,763.52
Total non-current assets		5,963,458,808.51	2,585,483,411.48	5,103,260,708.59	2,277,882,818.04
Total assets		20,590,815,791.72	14,580,705,924.34	17,976,463,117.21	13,499,788,142.03

CONSOLIDATED AND COMPANY BALANCE SHEET

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Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount at the End of the Year		Amount at the Beginning of the Year	
		Consolidated	Company	Consolidated	Company
Current liabilities					
Short-term loans	V.22	1,550,942,804.06	800,000,000.00	1,360,840,657.32	1,151,369,666.66
Financial liabilities held for trading	V.23	212.07		13,916.00	
Bills payables	V.24	918,007,030.57	559,442,600.00	715,986,816.20	7,139,310.75
Accounts payables	V.25	706,786,957.67	819,355,678.26	547,102,924.99	584,136,134.88
Receipts in advance					
Contract liabilities	V.26	104,445,427.26	17,320,724.48	151,765,150.53	41,484,759.54
Employee benefits payables	V.27	363,416,250.83	154,616,789.30	278,117,911.92	74,999,108.16
Tax and surcharge payables	V.28	248,815,907.94	8,558,343.08	223,339,525.21	13,776,226.89
Other payables	V.29	2,175,668,243.15	4,581,163,106.97	2,016,490,501.54	4,689,008,436.20
Of which: Interest payable					
Dividends payable		8,418,590.50	20,174.46	90,179,524.72	20,174.46
Held-for-sale liabilities					
Non-current liabilities due within one year	V.30	8,539,077.05	103,840.00		
Other current liabilities	V.31	6,267,034.79	2,238,737.90		
Total current liabilities		6,082,888,945.39	6,942,799,819.99	5,293,657,403.71	6,561,913,643.08
Non-current liabilities:					
Long-term loans	V.32	360,324,027.48	360,324,027.48		
Notes payables					
Leasing liabilities	V.33	10,099,025.42	212,080.58		
Long-term payables					
Long-term employee benefits payables					
Provisions					
Deferred gains	V.34	276,141,923.64	68,810,800.00	246,683,181.60	72,502,157.94
Deferred income tax liabilities	V.20	143,279,875.31	27,109,981.79	90,884,958.20	16,309,446.79
Other non-current liabilities	V.35	78,000,000.00		70,000,000.00	
Total non-current liabilities		867,844,851.85	456,456,889.85	407,568,139.80	88,811,604.73
Total liabilities		6,950,733,797.24	7,399,256,709.84	5,701,225,543.51	6,650,725,247.81
Share capital	V.36	944,835,396.00	944,835,396.00	934,762,675.00	934,762,675.00
Other equity instruments					
Of which: Preferred shares					
Perpetual bonds					
Capital reserve	V.37	1,560,369,717.69	1,915,592,581.88	1,163,404,748.17	1,527,410,001.24
Less: Treasury shares	V.38	250,061,413.16	250,061,413.16		
Other consolidated earnings	V.39	169,983,800.56	81,244,625.72	26,403,971.65	31,474,909.33
Special reserve					
Surplus reserve	V.40	744,801,154.15	539,838,100.57	623,178,143.29	418,215,089.71
Undistributed profits	V.41	8,937,313,245.63	3,949,999,923.49	8,419,002,908.40	3,937,200,218.94
Total equity attributable to shareholders of the parent company		12,107,241,900.87	7,181,449,214.50	11,166,752,446.51	6,849,062,894.22
Minority interests		1,532,840,093.61		1,108,485,127.19	
Total shareholders' (or owners') equity		13,640,081,994.48	7,181,449,214.50	12,275,237,573.70	6,849,062,894.22
Total liabilities and shareholders' (or owners') equity		20,590,815,791.72	14,580,705,924.34	17,976,463,117.21	13,499,788,142.03

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

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Year		Amount for the Previous Year	
		Consolidated	Company	Consolidated	Company
I. Operating income	V.42	10,520,409,842.01	4,836,402,188.28	9,384,695,835.01	4,905,049,183.64
Less: Operating costs	V.42	3,673,710,773.68	3,252,777,509.57	3,391,728,260.19	3,033,128,400.72
Tax and surcharge	V.43	123,623,151.40	20,034,561.38	108,757,407.34	24,877,723.18
Selling expenses	V.44	3,075,868,822.02	1,350,758,733.90	3,093,219,804.38	1,518,031,878.59
Administrative expenses	V.45	664,290,132.84	242,999,716.64	629,346,060.48	210,272,003.18
R&D expenses	V.46	884,095,367.52	272,004,182.78	732,891,738.02	244,316,283.21
Finance expenses	V.47	-103,638,803.65	-129,064,696.02	-220,799,167.69	-197,022,584.14
Of which: Interest expenses		25,313,177.20	71,521,415.19	7,255,024.45	50,955,723.77
Interest income		175,564,199.33	202,004,096.90	226,434,815.93	248,785,218.67
Add: Other income	V.48	216,183,014.18	117,931,240.95	156,194,635.50	71,618,167.71
Investment income	V.49	147,628,336.17	1,284,961,188.46	-19,597,761.68	252,210,453.14
("-" represents losses)					
Of which: Income from investments in associates and joint ventures		1,907,349.46	-13,896,696.16	-10,686,084.85	-12,699,314.85
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	8,806,719.32	718,554.16	1,328,501.70	767,987.14
Credit impairment loss ("-" represents losses)	V.51	-1,279,991.91	-10,450,465.51	-4,860,224.48	-246,721.68
Asset impairment loss ("-" represents losses)	V.52	-72,276,909.36	-7,730,158.67	-53,224,067.26	-15,051,663.80
Gains from disposal of assets ("-" represents losses)	V.53	-1,072,396.76	29,637.61	460,273.31	190,797.13
II. Operating profit ("-" represents losses)		2,500,449,169.84	1,212,352,177.03	1,729,853,089.38	380,934,498.54
Add: Non-operating income	V.54	8,192,217.16	10,066.53	11,483,490.34	220,086.88
Less: Non-operating expenditure	V.55	19,205,699.23	12,801,978.15	13,794,185.53	4,566,827.20
III. Total profit ("-" represents total losses)		2,489,435,687.77	1,199,560,265.41	1,727,542,394.19	376,587,758.22
Less: Income tax expenses	V.56	358,108,981.27	-16,669,843.23	265,964,834.90	17,357,954.35
IV. Net profit ("-" represents net losses)		2,131,326,706.50	1,216,230,108.64	1,461,577,559.29	359,229,803.87
(I) Classified by continuing operations:					
Of which: Net profit from continuing operations ("-" represents net losses)		2,131,326,706.50	1,216,230,108.64	1,461,577,559.29	359,229,803.87
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 ("-" represents net losses)		1,714,910,390.36	1,216,230,108.64	1,302,875,440.93	359,229,803.87
Profit and loss attributable to minority interests ("-" represents net losses)		416,416,316.14		158,702,118.36	

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Year		Amount for the Previous Year	
		Consolidated	Company	Consolidated	Company
V. Other comprehensive net income after taxation		141,385,462.11	49,769,716.39	58,697,018.11	31,474,909.33
Other comprehensive net income after taxation attributable to shareholders of the parent company		143,579,828.91	49,769,716.39	55,568,785.80	31,474,909.33
(I) Other comprehensive income not to be reclassified into profit or loss		186,438,515.80	49,810,034.00	39,155,030.34	31,319,525.00
1. Changes in remeasurement of defined benefit plans					
2. Other comprehensive income not to be reclassified into profit or loss under equity method					
3. Changes in fair value of other equity instrument investments		186,438,515.80	49,810,034.00	39,155,030.34	31,319,525.00
4. Changes in fair value of enterprise's own credit risk					
5. Others					
(II) Other comprehensive income to be reclassified as profit or loss		-42,858,686.89	-40,317.61	16,413,755.46	155,384.33
1. Other comprehensive income to be reclassified into profit or loss under equity method		-40,317.61	-40,317.61	155,384.33	155,384.33
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		-42,818,369.28		16,258,371.13	
7. Others					
Other comprehensive net income after taxation attributable to minority interests		-2,194,366.80		3,128,232.31	
VI. Total comprehensive income		2,272,712,168.61	1,265,999,825.03	1,520,274,577.40	390,704,713.20
Total comprehensive income attributable to shareholders of the parent company		1,858,490,219.27	1,265,999,825.03	1,358,444,226.73	390,704,713.20
Total comprehensive income attributable to minority interests		414,221,949.34		161,830,350.67	
VII. Earnings per share					
(I) Basic earnings per share	V.57	1.83		1.39	
(II) Diluted earnings per share	V.57	1.83		1.39	

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

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Year		Amount for the Previous Year	
		Consolidated	Company	Consolidated	Company
I. Cash flow from operating activities:					
Cash received from sale of goods and services rendered		10,586,210,839.13	4,909,761,296.33	9,870,473,698.39	5,363,323,813.59
Refund of taxes and levies		103,911,932.81		78,148,503.69	
Cash received relating to other operating activities	V.58	519,879,954.50	305,101,489.30	479,844,345.42	315,214,829.38
Sub-total of cash inflow from operating activities		11,210,002,726.44	5,214,862,785.63	10,428,466,547.50	5,678,538,642.97
Cash paid for purchase of goods and services rendered		2,741,476,711.15	2,926,429,409.30	2,559,855,010.72	3,207,097,348.99
Cash paid to and on behalf of employees		1,058,159,446.26	297,950,304.24	971,708,686.98	267,818,409.15
Payments for various taxes and levies		1,170,169,084.70	188,104,728.21	1,089,374,555.70	294,046,556.57
Cash paid relating to other operating activities	V.58	4,079,436,877.91	1,406,155,598.31	4,040,365,411.33	1,932,608,100.60
Sub-total of cash outflow from operating activities		9,049,242,120.02	4,818,640,040.06	8,661,303,664.73	5,701,570,415.31
Net cash flow from operating activities		2,160,760,606.42	396,222,745.57	1,767,162,882.77	-23,031,772.34
II. Cash flow from investing activities:					
Cash received from disposal of investments		227,939,643.71	139,518,392.30	127,669,831.39	25,112,000.00
Cash received on investment income		45,342,426.88	1,339,051,756.62	8,471,843.49	272,542,856.51
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		5,114,538.05	314,150.00	1,859,052.00	1,101,113.18
Net cash received from disposal of subsidiaries and other operating units		5,339,063.95	15,000,000.00		
Cash received relating to other investing activities	V.58	28,508,016.38		88,496,772.62	
Sub-total of cash inflow from investing activities		312,243,688.97	1,493,884,298.92	226,497,499.50	298,755,969.69
Cash payments for acquisition of fixed assets, intangible assets and other long-term assets		646,976,072.86	36,195,065.83	397,997,407.34	47,098,895.71
Cash payments for investments		129,187,468.09	301,792,110.00	126,120,301.78	8,255,000.00
Net cash paid for acquisition of subsidiaries and other operating units					
Cash paid relating to other investing activities	V.58	3,924,163.00		18,404,270.38	
Sub-total of cash outflow from investing activities		780,087,703.95	337,987,175.83	542,521,979.50	55,353,895.71
Net cash flow from investing activities		-467,844,014.98	1,155,897,123.09	-316,024,480.00	243,402,073.98

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Year		Amount for the Previous Year	
		Consolidated	Company	Consolidated	Company
III. Cash flow from financing activities:					
Cash received from investments		357,264,512.67	352,264,512.67	11,702,474.00	
Of which: Cash received by subsidiaries from investments of minority interests		5,000,000.00		11,702,474.00	
Cash received from borrowings		2,383,579,914.03	1,260,000,000.00	1,509,316,912.60	1,300,000,000.00
Cash received relating to other financing activities	V.58	2,778,643.64	1,642,905.48	2,926,091.34	1,273,517,481.18
Sub-total of cash inflow from financing activities		2,743,623,070.34	1,613,907,418.15	1,523,945,477.94	2,573,517,481.18
Cash paid on repayment of debts		1,829,811,030.60	1,250,100,000.00	1,650,000,000.00	1,650,000,000.00
Cash paid for distribution of dividends, profits or interests		1,181,793,042.82	1,089,293,506.59	1,054,757,971.85	868,457,971.85
Of which: Dividends and profits paid to minority interests by subsidiaries		81,760,934.22		186,300,000.00	
Cash paid relating to other financing activities	V.58	250,061,413.16	304,581,468.73	269,345.90	7,349,101.31
Sub-total of cash outflow from financing activities		3,261,665,486.58	2,643,974,975.32	2,705,027,317.75	2,525,807,073.16
Net cash flow from financing activities		-518,042,416.24	-1,030,067,557.17	-1,181,081,839.81	47,710,408.02
IV. Effect of changes in foreign exchange rates on cash and cash equivalents		-77,010,038.66	-1,032,304.81	20,418,084.63	-563,420.70
V. Net increase in cash and cash equivalents		1,097,864,136.54	521,020,006.68	290,474,647.59	267,517,288.96
Add: Balance of cash and cash equivalents at the beginning of the period		8,854,185,853.54	7,772,918,903.18	8,563,711,205.95	7,505,401,614.22
VI. Cash and cash equivalents at the end of the period		9,952,049,990.08	8,293,938,909.86	8,854,185,853.54	7,772,918,903.18

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

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Year												
	Shareholders' equity attributable to shareholders of the parent company												
	Other equity instruments				Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profit	Minority interests	Total shareholders' equity
Share capital	Preferred shares	Perpetual bonds	Others										
I. Balance as at the End of the Previous Year	934,762,675.00				1,163,404,746.17		26,403,971.65		623,178,143.29		8,419,002,908.40	1,108,485,127.19	12,275,237,573.70
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	934,762,675.00				1,163,404,746.17		26,403,971.65		623,178,143.29		8,419,002,908.40	1,108,485,127.19	12,275,237,573.70
III. Increase/decrease during the Year	10,072,721.00				386,964,988.52	250,061,413.16	143,579,828.91		121,623,010.86		518,310,337.23	424,354,966.42	1,364,844,420.78
(I) Total comprehensive income							143,579,828.91				1,714,910,390.36	414,221,949.34	2,272,712,168.61
(II) Capital contributed and reduced by shareholders	10,072,721.00				375,452,981.20	250,061,413.16						19,013,883.41	154,478,172.45
1. Ordinary shares contributed by shareholders													
2. Capital contributed by holders of other equity instruments	10,072,721.00				351,361,148.07	250,061,413.16						11,666,667.00	123,039,122.91
3. Share-based equity-settled payments					24,091,833.13							7,347,216.41	31,439,049.54
4. Others													
(III) Profit distribution									121,623,010.86		-1,196,600,053.13	-1,074,977,042.27	-1,074,977,042.27
1. Transfer of surplus reserve									121,623,010.86		-121,623,010.86		
2. Provision to general risk reserve													
3. Distribution to shareholders													
4. Others													
(IV) Internal transfer within shareholders' equity													
1. Transfer of capital reserve to share capital													
2. Transfer of surplus reserve to share capital													
3. Compensate losses by surplus reserve													
4. Changes in defined benefit plans transferred to retained earnings													
5. Other comprehensive income transferred to retained earnings													
6. Others													
(V) Special reserve													
1. Extraction during the period													
2. Amount used during the period													
(VI) Others													
IV. Balance as at the End of the Year	944,835,396.00				21,511,988.32	250,061,413.16	169,993,800.56		744,801,154.15		8,927,313,245.63	1,532,840,093.61	13,640,081,994.48

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

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Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Previous Year							
	Shareholders' equity attributable to shareholders of the parent company							
	Share capital	Preferred shares	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve
			Perpetual bonds			General risk provision	Undistributed profit	Minority interests
I. Balance as at the End of the Previous Year	719,050,240.00			1,362,250,386.67	25,208.04	-29,164,814.15	8,012,611,700.26	1,097,899,493.37
Adj. Adjustment for change in accounting policies								
Correction of accounting errors in prior period								
Others								
II. Balance as at the Beginning of the Year	719,050,240.00			1,362,250,386.67	25,208.04	-29,164,814.15	8,012,611,700.26	1,097,899,493.37
III. Increase/decrease during the Year	215,714,463.00			-198,845,641.50	-35,208.04	55,568,785.80	406,391,208.14	10,985,688.82
(*) represents decrease								
(I) Total comprehensive income						55,568,785.80	1,302,875,440.93	161,830,350.67
(II) Capital contributed and reduced by shareholders	-2,028.00			12,490,714.16	-35,208.04			32,825,366.00
1. Ordinary shares contributed by shareholders								32,825,366.00
2. Capital contributed by holders of other equity instruments								
3. Share-based equity-settled payments								
4. Others	-2,028.00			-1,859,791.41	-35,208.04			32,825,366.00
(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	215,714,463.00			-215,714,463.00				
2. Transfer of surplus reserve to share capital	215,714,463.00			-215,714,463.00				
3. Compensate losses by surplus reserve								
4. Changes in defined benefit plans transferred to retained earnings								
5. Other comprehensive income transferred to retained earnings								
6. Others								
(V) Special reserve								
1. Extraction during the Period								
2. Amount used during the Period								
(VI) Others								
IV. Balance as at the End of the Year	934,764,703.00			1,163,404,745.17		26,403,971.65	8,419,002,908.40	1,108,485,127.19

Chairman of the Board and Legal Representative:
Zhu Baoqun

Executive Director and President:
Tang Yanggang

Chief Financial Officer:
Si Yanxia

Head of Accounting Department:
Zhuang Jianying

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Year						
	Share capital	Preferred shares	Perpetual bonds	Other equity instruments	Less: Treasury shares	Other comprehensive income	Total shareholders' equity
I. Balance as at the End of the Previous Year	934,762,675.00			1,527,410,001.24		31,474,909.33	6,849,062,894.22
Add: Adjustment for changes in accounting policies							
Correction of accounting errors in prior period							
others							
II. Balance at the Beginning of the Year	934,762,675.00			1,527,410,001.24		31,474,909.33	-6,830,350.96
III. Increase/decrease during the Year	10,072,721.00			388,182,580.64	250,061,413.16	49,769,716.39	6,842,232,343.26
(“-” represents decrease)							339,216,671.24
(I) Total comprehensive income							
(II) Capital contributed and reduced by shareholders							
1. Ordinary shares contributed by shareholders	10,072,721.00						
2. Capital contributed by holders of other equity instruments							
3. Share-based equity-settled payments							
4. Others				19,309,926.28			19,309,926.28
(III) Profit distribution							
1. Transfer of surplus reserve				370,671,074.35	250,061,413.16		1,265,999,825.03
2. Provision to general risk reserve				351,361,148.07	250,061,413.16		130,682,382.19
3. Distribution to shareholders							111,372,455.91
4. Others							
(IV) Internal transfer within shareholders' equity							
1. Transfer of capital reserve to share capital							
2. Transfer of surplus reserve to share capital							
3. Compensate losses by surplus reserve							
4. Changes in defined benefit plans transferred to retained earnings							
5. Other comprehensive income transferred to retained earnings							
6. Others							
(V) Special reserve							
1. Extraction during the period							
2. Amount used during the period							
Others							
IV. Balance as at the End of the Year	944,835,396.00			17,511,506.29	250,061,413.16	81,244,625.72	17,511,506.29
				1,915,592,581.88		539,838,100.57	3,949,999,923.49
							7,181,449,214.50

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

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Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Previous Year						
	Share capital	Preferred shares	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Total shareholders' equity
			Perpetual bonds			Special reserve	
			Others			Surplus reserve	Undistributed profit
I. Balance as at the End of the Previous Year	719,050,240.00			1,726,897,983.73	25,208.04	382,292,109.32	4,476,751,249.86
Add: Adjustment for changes in accounting policies							
Correction of accounting errors in prior period							
others							
II. Balance at the Beginning of the Year	719,050,240.00			1,726,897,983.73	25,208.04	382,292,109.32	4,476,751,249.86
III. Increase/decrease during the Year	215,712,453.00			-199,487,982.49	-25,208.04	35,922,980.39	-539,551,030.92
(“-” represents decrease)							
(I) Total comprehensive income							
(II) Capital contributed and reduced by shareholders	-2,028.00			12,548,475.74	-25,208.04		359,229,803.87
1. Ordinary shares contributed by shareholders							
2. Capital contributed by holders of other equity instruments							
3. Share-based equity-settled payments							
4. Others	-2,028.00			12,571,655.78	-25,208.04		12,571,655.78
(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	215,714,463.00			-215,714,463.00			
1. Transfer of capital reserve to share capital	215,714,463.00			-215,714,463.00			
2. Transfer of surplus reserve to share capital							
3. Compensate losses by surplus reserve							
4. Changes in defined benefit plans transferred to retained earnings							
5. Other comprehensive income transferred to retained earnings							
6. Others							
(V) Special reserve							
1. Extraction during the period							
2. Amount used during the period							
(VI) Others							
IV. Balance as at the End of the Year	934,762,675.00			3,678,004.77		418,215,089.71	3,937,200,218.94
				1,527,410,001.24			6,849,062,894.22

Chairman of the Board and Legal Representative:
Zhu BaoguoExecutive Director and President:
Tang YanggangChief Financial Officer:
Si YanxiaHead of Accounting Department:
Zhuang Jianying

I. BASIC INFORMATION OF THE COMPANY

1. Company profile

In March 1992, Livzon Pharmaceutical Group Inc. (麗珠醫藥集團股份有限公司) (hereinafter referred to as the "Company") was transformed into a company limited by shares by directed placement, with seven companies namely, Macau Nam Yue (Group) Co., Ltd. (澳門南粵(集團)有限公司), Zhuhai Credit Cooperative Union (珠海市信用合作聯社), Guangdong Medicine Group Co., Ltd. (廣東省製藥工業公司), Zhuhai Medicine Corporation (珠海市醫藥總公司), Guangzhou Medicines & Health Products Imp. & Exp. Corp. (廣州醫藥保健品進出口公司), Zhuhai branch of Bank of China (中國銀行珠海市分行) and Zhuhai Guihua Employees Mutual Aid Association (珠海桂花職工互助會) as its promoters to make share contribution by converting their net assets in their original sino-foreign joint ventures with limited liability into consideration, and by directed placement from other domestic legal persons and internal staff pursuant to the approval documents 1992 No. 29 issued by Zhuhai Economic System Reform Commission (珠海市經濟體制改革委員會) and 1992 No. 45 jointly issued by Joint Examination Group for Pilot Joint Stock Enterprise in Guangdong Province (廣東省企業股份制試點聯審小組) and Guangdong Economic System Reform Committee (廣東省經濟體制改革委員會).

In 1993, pursuant to Yue Zheng Jian Fa Zi 1993 No. 001 document (粵證監發字[1993] 001號文) issued by Guangdong Securities Regulatory Commission (廣東省證券監督管理委員會), Shen Ren Yin Fu Zi [1993] No. 239 document (深人銀復字[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, Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司) (hereinafter referred to as the "Joicare 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 Joicare Group (健康元集團). On 3 August 2006, the procedures for the transfer of the 38,917,518 domestic legal person shares to Joicare Group (健康元集團) was completed.

I. BASIC INFORMATION OF THE COMPANY *(continued)***1. Company profile** *(continued)*

As at 31 December 2012, Joincare Group (健康元集團) 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 (健康元集團).

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

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

Pursuant to the resolutions of the 2014 Annual General Meeting, the 2015 Second Class Meeting of A Shareholders and the 2015 Second Class Meeting of H Shareholders, it was agreed that the Company issued 91,314,675 bonus shares of RMB1 each in the proportion of 3 shares for every 10 shares to all shareholders by way of conversion of capital reserve based on the total share capital of the Company of 304,382,252 shares. Upon the bonus issue, the registered capital of the Company has 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 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 has 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.

I. BASIC INFORMATION OF THE COMPANY *(continued)***1. Company profile** *(continued)*

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

Pursuant to “the Resolution on Repurchase and Cancellation of Restricted Shares Granted But 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 has 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, 21st Meeting of the 8th Session of the Board on 8 March 2016, the 2016 Second Extraordinary General Meeting on 25 April 2016, as approved by China Securities Regulatory Commission (中國證券監督管理委員會) with “Approval in Relation to the Non-public Issuance of Shares by Livzon Pharmaceutical Group Inc.” (Zheng Jian Xu Ke [2016] No. 1524) on 1 August 2016, 29,098,203 Renminbi ordinary shares (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 has 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 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 has 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] 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 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 has 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 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 has changed to RMB553,115,570. The capital reduction was validated and confirmed by the Capital Verification Reports (Rui Hua Yan Zi [2018] No. 40030006 and [2018] No. 40030008) issued by Ruihua Certified Public Accountants.

I. BASIC INFORMATION OF THE COMPANY *(continued)***1. Company profile** *(continued)*

Pursuant to the resolutions of the 2017 Annual General Meeting, the 2018 Second Class Meeting of A Shareholders and the 2018 Second Class Meeting of H Shareholders and the revised Articles of Association, it was agreed that the Company issued 165,934,670 bonus shares 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 has changed to RMB719,050,240. This capital increase was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2018] No.40030013) issued by Ruihua Certified Public Accountants.

Pursuant to “the Resolution on Repurchase and Cancellation of Part of Restricted Shares” considered and approved by the 22nd Meeting of the 9th Session of the Board on 18 December 2018, 2,028 shares were repurchased and cancelled at a price of RMB12.43 per share. After the repurchase and cancellation, the Company’s share capital was RMB719,048,212.00. This capital decrease was validated by the Capital Verification Report (Ruihua Yan Zi [2019]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 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 has changed to RMB934,762,675. This capital increase was validated and confirmed by the Capital Verification Report (Ruihua Yan Zi [2019] No. 40020008) issued by Ruihua Certified Public Accountants.

Pursuant to the “Resolution on 2018 Share Options Incentive Scheme (Revised Draft) and its summary” considered and approved by the 2018 Third Extraordinary General Meeting, the 2018 Third Class Meeting of A Shareholders and the 2018 Third Class Meeting of H Shareholders and the “Resolution on the Related Matters of the Reserved Grant of 2018 Share Options Incentive Scheme” considered and approved at the 31st Meeting of the 9th Session of the Board, the number of options exercised was 10,072,721 during the Year and the total share capital of the Company was increased to 944,835,396 shares.

The Company is engaged in the pharmaceutical manufacturing industry.

The nature of business and principal activities of the Company and its subsidiaries (the “Group”): primarily engaged in the research and development, 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 Group.

The financial statements and the notes to the financial statements have been approved by the 14th meeting of the Tenth Session of the Board of the Company on 22 March 2021.

I. BASIC INFORMATION OF THE COMPANY *(continued)***2. Scope of consolidated financial statements**

Please refer to this Note VII “Equity in other entities” for names of subsidiaries included into the consolidation in 2020. One more subsidiaries are included into the consolidation during the Year compared with the previous year while 2 subsidiaries are excluded. Please refer to Note VI “Changes in the scope of consolidation” for details.

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 Group 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 Group’s accounting is measured on an accrual basis. Except for certain financial instruments, these financial statements are generally measured at historical cost. In case of asset impairment, the Company shall make provisions for impairment in accordance with applicable provisions.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group 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 gives a true and complete view of the consolidated and the Company’s financial condition as at 31 December 2020, and the consolidated and the Company’s operating results and the consolidated and the Company’s cash flow for 2020.

2. Accounting period

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

3. Business cycle

The business cycle of the Group consists of 12 months, which is the classification standard for the liquidity of assets and liabilities.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***4. Functional currency**

The Company and its domestic subsidiaries use RMB as their functional currency according to the primary economic environment in which they operate. The functional currency of the Company and its domestic subsidiaries is Renminbi ("RMB"). Overseas subsidiaries of the Company usually recognise HK dollar, Macau dollar and US dollar as their functional currencies according to the primary economic environment in which these subsidiaries operate. The Group prepares its financial statements in RMB.

5. Accounting treatments 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 amount 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 in the capital reserve, with any excess adjusted against retained earnings.

Business combination involving enterprises under common control and achieved in stages

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 in the capital reserve, with any excess adjusted against retained earnings.

In the consolidated financial statements, the assets acquired and liabilities assumed are measured based on their carrying amount 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 in the capital reserve, with any excess adjusted against retained earnings. For long-term equity investment held before the control over the combined party is obtained, profit or loss, other comprehensive income and other changes to equity interest attributable to the owners recognised from the later of the acquisition of the original equity interest and the date when the combining party and the combined party are placed under common control until the date of combination shall be offset against retained profit at the beginning of the period of the comparative financial statements or profit or loss of the period respectively.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***5. Accounting treatments for business combinations *(continued)*****(2) Business combinations involving enterprises not under common control**

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

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

Business combination involving enterprises not under common control and achieved in stages

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 recognized using equity method on the acquisition date, and such investment will be accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the investee at the time of disposal. Shareholder's equity recognized due to the changes of other shareholder's equity other than the changes of net loss and profit, other comprehensive income and profit distribution shall be transferred to profit or loss for current period when disposed. If the equity investment held prior to the acquisition date is measured at fair value, the cumulative changes in fair value recognized in other comprehensive income shall be transferred to profit or loss for 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 shareholder's equity shall be transferred to investment profit or loss for current period on the acquisition date, except for the other comprehensive income incurred due to the changes arising from remeasuring net assets or net liabilities of defined benefit plan attributable to the acquiree.

(3) Treatment of transaction costs in business combinations

The intermediary and other relevant administrative expenses such as audit, legal and valuation advisory for business combinations are recognised in profit or loss when incurred. Transaction costs of equity or debt securities issued as consideration for business combination are included in the initial recognition amounts.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

6. Preparation of consolidated financial statements

(1) Scope of consolidation

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

(2) Method for preparation of 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 period attributable to minority interest is presented in the consolidated income statement under the "profit or loss of minority interest". When the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount shall be allocated against minority interest.

(3) Purchase of minority interests in subsidiary

The difference between the long-term equity investments costs acquired by the purchase of minority interests and the share of the net assets that the subsidiaries have to continue to calculate from the date of purchase or the date of consolidation in proportion to the new shareholding ratio, and the difference between the disposal of the equity investment without losing control over its subsidiary and the disposal of the long-term equity investment corresponding to the share of the net assets of the subsidiaries from the date of purchase or the date of consolidation, shall be adjusted to the capital reserve (or share premium), if the capital reserve is not sufficient, any excess will be adjusted to retained earnings.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***6. Preparation of consolidated financial statements *(continued)*****(4) Treatment of loss of control in subsidiary**

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 amount 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.

(5) Treatment of disposal through several transactions until loss of control in subsidiary

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

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

In the separate financial statements, where the Company disposes of the equity investment in the subsidiary through several transactions until the loss of control, and such transactions are not regarded as "a basket of transactions", the carrying amount of the long-term equity investment involving each disposal will be carried forward, with the difference between the disposal price and the carrying amount of the long-term equity investment involving the disposal being accounted into the investment incomes for the current period; where the transactions constitute "a basket of transactions", the difference between the consideration of each disposal and the carrying amount of the long-term equity investment involving the disposal before the loss of the control, is recognised as the other comprehensive income and will be carried forward to the profit or loss for the current period when the control is lost.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

6. Preparation of consolidated financial statements (continued)

(5) Treatment of disposal through several transactions until loss of control in subsidiary (continued)

In the consolidated financial statements, where the Company disposes of the equity investment in the subsidiary through several transactions until the loss of control, the measurement of the remaining equity interest and the accounting treatment of the losses and gains of the disposal will be made with reference to the "Treatment of loss of control of subsidiaries" as described above. For the difference between the consideration of each disposal before the loss of the control and the carrying amount of the Company's share in the net assets involving the disposal of such subsidiary calculated on an on-going basis from the acquisition date, the treatment will be made as follows:

- ① In case the transactions are "a basket of transactions", such difference is recognised as the other comprehensive income and will be carried forward to the profit or loss for the current period when the control is lost.
- ② In case the transactions are not "a basket of transactions", such difference is accounted into the capital reserve (or share premium) as equity, and shall not be carried forward to the profit or loss for the current period when the control is lost.

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 Group'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 Group have rights and obligations to the relevant assets and liabilities.

The Group 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 venture

A joint venture is a joint arrangement whereby the Group only entitled to the net assets of the arrangements.

The Group's investment in joint ventures is accounted for using the equity method according to the rules of the long-term equity investment.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***8. Standards for determination of cash and cash equivalents**

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

9. Foreign currency transactions and translation of financial statements in foreign currency**(1) Foreign currency transactions**

Foreign currency transactions performed by the Group are translated to the functional currency at the spot exchange rates on the date of the transactions upon initial recognition, which is normally the median exchange rate quoted by the People's Bank of China on that day and the same below; provided that the foreign currency exchange business or the transactions involving foreign currency exchange incurred by the Company are translated to the functional currency at the prevailing exchange rates.

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 for the current period.

(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 profit or loss 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 Company disposes of the overseas operation and loses control, the differences arising from the translation of the financial statements in foreign currency that have been presented under the shareholders' equity in the balance sheet and involving such overseas operation are carried forward to the profit or loss for the current period in whole or in the proportion of the disposal of the overseas operation.

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 Group 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 assets have 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 Group (as the debtor) and the lender have signed an agreement which uses a new financial liability to replace the existing financial liability, and the contract terms of the new financial liability are substantially different with the original financial liability, the original financial liability shall be derecognised, and the new financial liability shall be recognised at the same time.

The regular transactions of the financial assets are recognised and derecognised at the transaction date.

(2) Classification and measurement of financial assets

The Group classifies financial assets into three categories: financial assets at amortised cost; financial assets at fair value through other comprehensive income; and financial assets at fair value through profit or loss 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 Group shall classify financial assets that meet the following conditions and are not designated as financial assets at fair value through profit or loss for the current period as financial assets measured at amortized cost:

- A. The Group'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.

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 Group 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 Group'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 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 Group 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 Group irrevocably designates some financial assets that should have been measured at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss 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 Group 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 confirmation, 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 gains. When derecognized, the accumulated gains or losses previously recognised in other comprehensive gains are transferred from other comprehensive gains to retained earnings.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***10. Financial Instruments** *(continued)***(2) Classification and measurement of financial assets** *(continued)***③ Financial assets at fair value through profit or loss for the current period** *(continued)*

The business model of managing financial assets refers to how the Group manages financial assets to generate cash flow. The business model decides whether the source of cash flow of financial assets managed by the Group is to collect contract 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 managers, the Group determines the business model of financial assets management.

The Group evaluates the characteristics of the contract cash flow of financial assets to determine whether the contract 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 confirmation; 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 Group evaluates the terms and conditions of the contracts that may lead to changes in the time distribution or amount of cash flow in financial asset contracts to determine whether they meet the requirements of the above contract cash flow's characteristics.

Only when the Group 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 confirmation.

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 or bills 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 Group.

(3) Classification and measurement of financial liabilities

On initial recognition, the Group'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 for current period

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 expense relative 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 is recognised in profit or loss for the current period.

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 instruments to another entity.
- B. Under potential adverse condition, contractual obligation to exchange financial assets or financial liabilities with other parties.
- C. A contract that must be or may be used to settle an entity's own equity instruments and it is a non-derivative instrument contract pursuant to which the entity will deliver a variable number of its own equity instruments.
- D. A derivative instrument contract that is required to be or may be settled by an entity's own equity instruments in future, except for derivative instrument contracts that exchange a fixed quantity of its own equity instruments for a fixed amount of cash or other financial assets.

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 Group cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, such contractual obligation meets the definition of financial liability.

If a financial instrument must be or may be settled by the Group's own equity instrument, the Group should consider whether the Group's equity instrument as the settlement instrument is a substitute of cash or other financial assets or for the purpose to enable the instrument holder to enjoy the residual interest in the assets after deducting all of its liabilities by the issuer. If it is for the former purpose, the instrument is a financial liability of the Group; if it is for the latter purpose, the instrument is an equity instrument of the Group.

(4) Derivative financial instruments and embedded derivatives

The Group's derivative financial instruments include forward foreign exchange contracts and are initially measured at fair value on the date of signing the derivative contract and are subsequently measured at fair value. A derivative with positive fair value shall be recognized 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 in compliance with the accounting provision of hedging shall be recognized directly in the profit or loss for current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***10. Financial Instruments** *(continued)***(4) Derivative financial instruments and embedded derivatives** *(continued)*

For a 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 and its changes are included in the profit and loss for the current period for accounting purpose, and there is no close relation between the embedded derivatives and the host contract in terms of economic features and risks, and the hybrid instrument is subject to the same conditions as the embedded derivatives, if it exists independently and meets the definition of derivatives, and the embedded derivatives shall be separated from the hybrid instrument, it will be treated as a separate derivative financial instrument. 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 an financial asset or financial liability measured at fair value with changes through profit or loss for the current period.

(5) Fair value of the financial instrument

The methods for determining the fair value of the financial assets or financial liabilities are set out in Note III.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 measured 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 carried at fair value through profit or loss for current period, for those the transfer of financial assets does not satisfy the derecognition condition or those formed as a result of continued involvement of the transferred financial assets.

Measurement of expected credit loss (ECLs)

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 Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

The Group 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***10. Financial Instruments *(continued)*****(6) Impairment of financial assets *(continued)***Measurement of expected credit loss (ECLs) *(continued)*

The Group respectively measures the expected credit losses of financial instruments by different stages. If the credit risk of the financial instrument does not increase significantly since the initial recognition, it would be classified in Stage 1, the Group would measure loss allowance according to 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 Group would measure loss allowance according to the lifetime expected credit losses of that instrument. If the financial instrument has credit-impaired since the initial recognition, it would be classified in Stage 3, and the Group would measure loss allowance according to the lifetime expected credit losses of that instrument.

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

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group 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 Group would measure the interest income by the book balance (that is, without deduction for credit allowance) and the effective interest rate. For financial instruments classified in Stage 3, the Company would measure the interest income by the amortised cost (that is, book balance less impairment allowance) and the effective interest rate.

For bills receivables, accounts receivables and contract assets, regardless whether it has significant financing components or not, the Group 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 Group classifies bills receivables and accounts receivables into portfolios based on credit risk characteristics, and measures expected credit losses on portfolio basis and the portfolios are determined by the following basis:

A. Bills receivable

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial Instruments (continued)

(6) Impairment of financial assets (continued)

Measurement of expected credit loss (ECLs) (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 as portfolio, the Group measures expected credit losses based on the risk exposures of default and lifetime expected credit loss rate with reference to the historical credit loss experience, current situation and forecasts of future economic conditions.

For accounts receivables classified as portfolio, the Group measures expected credit losses through preparing a table setting out the aging of accounts receivables and lifetime expected credit loss rate with reference to the historical credit loss experience, current situation and forecasts of future economic conditions.

Other receivables

The Group 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: Receivables of consolidated companies

For other receivables classified as portfolio, the Group measures expected credit losses based on the risk exposures of default and future 12-month or lifetime expected credit loss rate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***10. Financial Instruments** *(continued)***(6) Impairment of financial assets** *(continued)*

Long-term receivables

The Group's long-term receivables include finance lease receivables and equity transfer receivables.

The Group classifies finance lease receivables and equity transfer receivables into certain portfolios based on credit risk characteristics, and measures expected credit losses on portfolio basis, portfolios are determined according to 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 Group measures expected credit losses based on the risk exposures of default and lifetime expected credit loss 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 as portfolio, the Group measures expected credit losses based on the risk exposures of default and future 12-month or lifetime expected credit loss rate.

Debt investments and other debt investments

For debt investments and other debt investments, the Group 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 Group determines the relative changes in the risk of default over the expected life of financial instruments and assesses whether the credit risk of financial instruments have increased significantly since initial recognition.

When determining whether credit risks have significantly increased since initial recognition, the Group considers information that is reasonable and supportable, including forward-looking information, that is available without undue cost or effort. The information considered by the Group includes:

- Failure to make payments of principal or interest on debtors' contractual due dates;
- Actual or expected significant deterioration in external or internal credit rating (if any) of a financial instrument;
- 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 material adverse effect on the debtors' abilities to repay to the Group.

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 Group assesses whether credit risks have significantly increased either on the basis of individual financial instrument or a portfolio of financial instruments. When the assessment is performed based on a portfolio of financial instruments, the Group may classify the financial instruments based on the credit risk characteristics in common, such as past due information and credit risk ratings.

The Group 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 Group assesses whether financial assets at amortised cost and debt investments measured at fair value through other comprehensive income are credit-impaired at balance sheet date. A financial asset is "credit-impaired" when one or more events that have 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 difficulties of the issuer or debtor have occurred;
- breach of contract by the debtor, such as a default or delinquency in the payment of interest or principal;
- for economic or contractual reasons relating to the debtor's financial difficulty, the Group has granted to the debtor a concession that otherwise would not consider;
- it is probable that the borrower will enter bankruptcy or other financial restructuring;
- disappearance of an active market for that financial asset due to financial difficulties of the issuer or debtor.

Presentation of allowance for ECL

The Group re-measures 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 provision resulted therefrom is recognised as an impairment gain or loss in profit or loss. For financial assets measured at amortized cost, the loss provision is offset against their carrying amount in the balance sheet. For debt investments at fair value through other comprehensive income (FVOCI), the Group recognises the loss provision in other comprehensive income and does not offset against the carrying amount of the financial assets.

Write-off

The book balance of the carrying amount of a financial asset will be written off (either partially or in full) to the extent that there is no realistic prospect of recovery by the Group. A write-off constitutes a derecognition of the relevant financial asset. This generally happens when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts to be written off. However, financial assets that are written off could still be affected by enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of a financial asset that was previously written off will be recognised as a reversal of impairment loss in profit or loss for the current period in which the recovery occurs.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***10. Financial Instruments *(continued)*****(7) Transfer of financial asset**

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

The Group 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.

The Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset will be subject to the following treatment: if the Company has forgone control over the financial asset, it should derecognize the financial asset and recognize the assets and liabilities generated; if the Company retains its control over the financial asset, the financial asset should be recognised to the extent of its continuing involvement in the transferred financial asset and recognize the relevant liabilities accordingly.

(8) Offsetting financial assets and financial liabilities

When the Group has the legal right to offset recognised financial assets and financial liabilities, and the legal right can be executed at present, and the Group plans to settle by net amounts or to realize the financial assets in cash and repay the financial liabilities at the same time, the financial assets and financial liabilities will be offset with each other and the net amount will be presented in the balance sheet. Otherwise, the financial assets and financial liabilities will not offset each other and will be presented separately in the balance sheet.

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 on the measurement date.

The Group measures the relevant asset or liability at fair value assuming the orderly transaction of selling the asset or transferring the liability occurs in the principal market of the relevant asset or liability; In the absence of a principal market, the Group assumes that the transaction takes place in the most favourable market. A principal market (or the most favourable market) is the transaction market that the Group can enter on the measurement date. The Group adopts the assumption that the market participants determine the price of the asset or liability at the time when the maximized economic benefit in the asset or liability is realized.

If there exists an active market for the financial asset or financial liability, the Group uses the quotation on the active market as its fair value. For financial instrument without an active market, the Group uses valuation technique to recognise its fair value. However, under limited circumstances, the Group 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 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 should consider the capacity of the market participants to put the assets into optimal use thus generating the economic benefit, or the capacity to sell the assets to other market participants who can put the assets into optimal use and generate economic benefit.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. Fair value measurement (continued)

The Group adopts the valuation technique that is applicable to the current condition, supported by sufficient available data and other information, and gives priority to use the relevant observable inputs, unobservable inputs will be used only when the observable inputs cannot be or impracticable to be obtained.

For the assets and liabilities measured or disclosed at fair value in the financial statements, the lowest level input that is significantly meaningful to the entire fair value measurement will be used to confirm the fair value hierarchy level: Level 1 input value is the quoted price (unadjusted) obtained in an active market for the same asset or liability on the measurement date. Level 2 input value is the direct or indirect observable input value for the relevant asset or liability other than the Level 1 input value. Level 3 input value is the unobservable input value for the relevant asset or liability.

On each balance sheet date, the Group reassess the assets and liabilities measured at fair value on continuing basis recognised in the financial statements to determine whether conversion occurs between fair value hierarchy levels.

12. Inventories

(1) Classification of inventories

The Group'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 incurred when bringing the inventories are acquired and stored in 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 cost upon use.

(3) Basis for determination of realizable value of inventories and method for provision of diminution in 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 the value of inventories is made by categories.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***12. Inventories** *(continued)***(4) Inventory system**

The Group maintains a perpetual inventory system.

(5) Amortisation method for low-value consumables

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

13. Assets held for sale and discontinued operations**(1) Classification and measurement of non-current assets held for sale or in disposal group**

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

The aforesaid non-current assets do not include investment property measured with the basis of fair value; the biological assets measured with the basis of fair value less selling costs; the assets formed by employee benefits; financial assets and the right arising from deferred income tax assets and insurance contracts.

A disposal group is a group of assets to be disposed through sale or other means as a whole in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. In certain circumstance, disposal groups include the goodwill obtained through business combination.

Non-current assets and disposal groups that meet the following conditions are classified as held for sale: according to the practice of disposing of this type of assets or disposal groups in a similar transaction, a non-current asset or disposal group is available for immediate sale at its present condition; the sale is likely to occur, that is, a decision has been made on a sale plan and a determined purchase commitment is made, and the sale is expected to be completed within one year. Where the loss of control over the subsidiaries is due to the sales of investment in subsidiaries, no matter whether the Group 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.

Upon initial measurement or when non-current assets or disposal groups held for sale are remeasured at balance sheet date, the difference between the carrying amount and the the net amount of fair value less selling costs shall be recognised as impairment loss on assets. For the amount of impairment loss on assets recognised in disposal groups, it shall be used to offset the carrying amount of goodwill of the disposal group 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 selling costs increases, the amount reduced previously shall be recovered, and reversed in the asset impairment loss after the asset was classified into held-for-sale category. The reversed amount shall be credited to current profit or loss. The carrying amount of goodwill which has been offset cannot be reversed.

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 held for sale or in disposal group** *(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 are 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 stopped, 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 Group loses the significant influence on the associates and joint venture due to sale, the use of equity method for accounting shall be stopped.

When certain non-current assets or disposal groups are classified into the held-for-sale category but subsequently they no longer meet the classification criteria for the held-for-sale category, the Group shall stop classifying them into the held-for-sale category and measure their value according to the lower of the following two amounts:

- ① The carrying amount of the asset or disposal group before being classified into the held-for-sale category will be adjusted with the depreciation, amortization or impairment that could have been recognized if it has not been 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 Group or classified by the Group 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 Group 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 Group 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.

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 Group has significant influence is the associates of the Group.

(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 recognized 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.

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 recognised according to the share in the investee's realised net profit or loss and other comprehensive income respectively, and the carrying amount of the long-term equity investment is adjusted. The carrying amount of the long-term equity investment will be deducted according to the profit distribution declared by the investee or cash dividend attributable to the Company. The carrying amount of long-term equity investment will be adjusted for changes to equity interest attributable to the owners of the investee other than net profit or loss, other comprehensive income and profit distribution, and recorded into capital reserve (other capital reserve). The Group'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 Group 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. The difference between the fair value of the original equity on the conversion date and its carrying amount, and the accumulated change of fair value recorded into other comprehensive income will be transferred into the profit and loss for the current period, which will be 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 recognized 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 recognized as profit or loss for current period. Other comprehensive income of original equity investment recognized under equity method shall be recognized 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 recognized 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 recognized 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 recognize net asset according to the new shareholding ratio. The difference between the original book value of the long-term equity investment corresponding to the decrease in the shareholding ratio should be included in the current profit and loss; then, according to the new shareholding ratio, the equity method is used to adjust the investment.

The Group recognizes 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 recognizes the investment income or loss after offset. However, the loss arising from the unrealized intra-transaction between the Group and investees, which belongs to the impairment loss of assets transferred, cannot be offset.

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. Secondly, and then determine whether the decisions related to the basic operating activities should require the unanimous consent of the parties involved. If the parties involved or the group of the parties involved must act consistently to determine the relevant arrangement, it is considered that the parties involved or the group of the parties involved control the arrangement. If two or more parties involve in the collectively control of certain arrangement, it shall not be considered as joint control. Protection of rights shall not be considered in determining whether there is joint control.

Significant influence refers to the power to participate in the decision making process for financial and operational policies of the investees without control or common control over the formulation of such policies. When determining whether it has significant influence over the investee, the influence of the voting shares of the investee held by the investor directly 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 joint ventures or associates all or partially classified as assets held for sale.

The surplus equity investments that are not classified as assets held for sale shall be accounted for using equity method.

The equity investment to joint ventures or associates already classified as held for sale no longer meets the conditions of assets held for sale shall be adjusted retroactively using equity method from the date of being classified as assets held for sale.

(5) Impairment test and impairment provision

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

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 Group include land use rights that have already been leased out, land use rights that are held for the purpose of sale after capital appreciation, buildings that have been already been leased out, etc.

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

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

16. Fixed asset**(1) Conditions for recognition of fixed assets**

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

The fixed asset can be recognized only when the economic benefit related to the fixed asset is probable to flow into the company and the cost of the fixed asset can be reliably measured.

The Group's fixed assets are initially measured at the actual cost at the time of acquisition.

(2) Depreciation methods of fixed assets

Fixed assets are depreciated using the equal annual installment method. Fixed assets start to be depreciated from the day the assets to the expected conditions for use and stop to be depreciated when the assets are derecognized and are divided into hold-for-sale as non-current assets. For those fixed asset without considering impairment provision, the Group's annual depreciation rates are shown as follows according to the category, expected useful lives and estimated net residual values rates:

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***16. Fixed asset *(continued)***

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

(4) The Group 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) Overhaul costs

The overhaul costs occurred in regular inspection of property, plant and equipment are recognised in the cost of property, plant and equipment if there is undoubted evidence to confirm that they meet the recognition criteria of fixed assets, otherwise, the overhaul costs are recognised in profit or loss for the current period. Property, plant and equipment are depreciated during the intervals of the regular overhaul.

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 recognized as expenses and included in profit or loss when incurred. Capitalization of such borrowing costs can commence only when all of the following conditions are satisfied:

- ① Expenditures for the asset incurred, capital expenditure includes the expenditure in the form of cash payment, transfer of non-cash assets or the interest bearing liabilities for the purpose of acquiring or constructing assets eligible for capitalization;
- ② Borrowing costs incurred;
- ③ Activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Capitalization period of borrowing costs

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The borrowing cost incurred after that is recognised as an expense in the period in which they are incurred and included in profit or loss for the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***18. Borrowing costs** *(continued)***(2) Capitalization period of borrowing costs** *(continued)*

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months; the borrowing costs in the normally interrupted period continue to capitalize.

(3) Calculation of the capitalization rate and amount of borrowing costs

The interest expense of the specific borrowings incurred at the current period, deducting any interest income earned from depositing the unused specific borrowings in bank or the investment income arising from temporary investment, shall be capitalized. The capitalization rate of the general borrowing is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings.

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

19. Biological assets**(1) Determination of biological assets**

Biological assets refer to assets comprising of living animals and plants. No biological asset shall be recognized 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 Group'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 assets by way of self-planting, self-cultivating, self-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 cultivation of a consumable biological asset after the harvest shall be included in the current profits or loss.

The cost of a consumable biological asset shall, at the time of harvest or sale, be carried over at its book value by the weighted average method.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***19. Biological assets** *(continued)***(3) Impairment of biological assets**

If the net realizable value of the consumable biological assets is lower than their carrying amount, provision of impairment loss is made and recognized 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 consumable biological assets 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 recognized 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 Company. An intangible asset is recognised only when all of the following conditions are satisfied:

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

Intangible assets are initially measured at actual cost.

- ① Where the payment for acquisition of an intangible asset is postponed beyond the normal credit terms, which substantially constitutes a financing transaction, the present value of the purchase price will be recognised as the cost of intangible assets.
- ② The intangible assets acquired from debtor under debt restructuring are stated at the fair value, and the difference between the carrying amount of the restructured debt and the fair value of the intangible assets acquired from debtor under debt restructuring is recognised in the profit or loss for the current period. For non-monetary assets exchange with commercial substance, if the fair value of the assets received or transferred can be reliably measured, the intangible assets received in the exchange of non-monetary assets shall normally be stated at the fair value of the assets transferred, unless there is objective evidence indicating that the fair value of the assets received is more reliable; for the exchange of non-monetary assets that does not meet the above conditions, the cost of intangible assets received is recognised at the carrying amount of the assets transferred with the relevant taxes, and no gains or losses will be recognised in the profit or loss.
- ③ The intangible assets acquired in the business combinations under common control are stated at the carrying amount of the intangible assets of the acquiree. The intangible assets acquired in the business combinations not under common control are recognised at its fair value.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***20. Intangible assets** *(Continued)*

The Group 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 Company, 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 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 the Group estimates an intangible asset can no longer bring future economic benefits to the Group at the end of a period, the carrying amount of which should be reversed to profit or loss for the current period.

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

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 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 profit or loss for the current period.

Capitalised expenditures on the development phase are shown as development expenditures on 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)", "the Drug Registration Approval (藥品註冊批件)" 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 R&D projects, after considering both the R&D process of the pharmaceutical industry and the Group's own R&D features, the expenses occurred after obtaining such approval or commencing the pilot may be capitalised as R&D expenses provided that the conditions for development are satisfied according to the Group's assessment; the remaining R&D expenditures will be charged to R&D expenses; and the purchase price of production technology or formulation acquired externally are recognised as development expenses and projects requiring further R&D are 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 profit or loss for the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

22. Impairment of assets

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

At the balance sheet date, the Company determines whether there may be evidence of impairment, if there is any, the Group will estimate the recoverable amount for impairment, and then test for impairment. For goodwill arising from a business combination, intangible assets with indefinite useful life and the intangible assets that have not yet ready for use are tested for impairment annually regardless of whether such evidence exists.

The recoverable amount of an asset is determined by the higher amount of fair value deducting disposal costs and net present value of future cash flows expected from the assets. The Group estimates the recoverable amount based on individual asset; for individual asset which is difficult to estimate the recoverable amount, the recoverable amount of the asset group is determined based on the asset group involving the asset. The identification of the asset group is based on whether the cash flow generated from the asset group is independent of the major cash inflows from other assets or asset groups.

When the asset or asset group's recoverable amount is lower than its carrying amount, the Group reduces its carrying amount to its recoverable amount, the reduced amount is included in profit or loss, while the provision for impairment of assets is recognized.

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 group in accordance with a reasonable basis at acquisition date. Those that are difficult to be allocated to related assets shall be allocated to related asset group. Related assets or assets group refer to those that can benefit from the synergies of business combination and are not larger than the Group's recognised reporting segment.

When there is an indication that the asset and asset group are prone to impair, the Group should test for impairment for asset and asset group excluding goodwill and calculate the recoverable amount and recognize the impairment loss accordingly. The Group should test for impairment for asset or the asset group including goodwill and compare the asset or asset group's recoverable amount with its carrying amount, provision for impairment of assets shall be recognized when the recoverable amount of assets is lower than its carrying amount.

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

23. Long-term deferred expenses

The Group's long-term deferred expenses measured at cost actually incurred and evenly amortized on straight-line basis over the expected beneficial period. For the long-term deferred expense items that cannot benefit in subsequent accounting period, their amortized value is recognised through profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***24. Employee compensation****(1) The scope of employee compensation**

Employee compensation are all forms of remuneration and compensation given by the Company in exchange for service rendered by employees or the termination of employment. Employee compensation include short-term employee compensation, post-employment benefits, termination benefits and other long-term employee benefits. Employee compensation include benefits provided to employees' spouses, children, other dependants, survivors of the deceased employees or to other beneficiaries.

According to liquidity, employment compensation are presented separately as "accrued payroll" item and "long-term employment compensation payable" item in the balance sheet.

(2) Short-term employee compensation

During the accounting period in which the employees render the related services, wages, bonuses, social security contributions (including medical insurance, injury insurance, maternity insurance, etc.) and house funding are recognized 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 have significant financial impact, the liability shall be measured as the discounted amounts.

(3) Post-employment benefits

Post-employment benefit plans mainly includes defined contribution plans. Defined benefit plans are 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 benefit plans include the basic pension insurance, unemployment insurance, etc.

During the accounting period in which the employees render services, the contributions to defined contribution plans is recognized as a liability, and are included in profit or loss for the current period or related asset costs.

(4) Termination benefits

The liability of employee compensation arising from termination benefits is recognised and included in profit or loss for the current period in the earlier date of the followings: the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; the Group recognises costs or expenses related to the restructuring that involves the payment of termination benefits.

For the implementation of the internal retirement plan for employees, 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 cease 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) should be treated as post-employment benefits.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***24. Employee compensation *(continued)*****(5) Other long-term employee benefits**

When other long-term employee benefits provided to the employees by the Group are satisfied 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 obligations 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 Group;
- (2) It is probable that an outflow of economic benefits 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 Group reviews the carrying amount of provisions at the balance sheet date and adjusts the carrying amount to reflect the best estimate.

If the expenses for clearing of provisions is fully or partially compensated by a third party, and the compensated amount can be definitely received, it is recognised separately as asset. The compensated amount recognised shall not be greater than the carrying amount of the liability recognized.

26. Share-based payment and equity instruments**(1) Category of share-based payment**

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

(2) Determination of fair value of equity instrument

For the existence of an active market for options and other equity instruments granted by the Group, 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 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

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

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 payments**

Equity-settled share-based payment is measured at the fair value of the equity instruments granted to employees. Instruments which are vested 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 vesting is conditional upon completion of services in the pending period or fulfillment of performance conditions, at each balance sheet date during the pending period, based on the best estimates of the number of vested 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 vesting period, relevant costs or expenses and total shareholders' equity has been confirmed 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 Group. Instruments which are vested immediately upon the grant are included in relevant costs or expenses at the fair value of liabilities assumed by the Group on the date of grant and liabilities are increased accordingly. If vesting is conditional upon completion of services in the pending period or fulfillment of performance conditions, at each balance sheet date during the pending period, based on the best estimates of the vesting 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 Group. At each balance sheet date and settlement date before the relevant liabilities are settled, the fair value of liabilities are re-measured and the resulting changes are included in the profit and loss for the current period.

When the Group 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 recognized as a corresponding increase in service achieved. The increase in fair value of the equity instruments refers to the difference in fair value 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 Group 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 vesting conditions), the Group will undertake an accelerated vesting in respect of the cancelled equity instruments that had been granted, include the remaining amount that shall be recognised during the pending period in the current profit and loss immediately and recognise capital reserve accordingly. Where employees or other parties are permitted to choose to fulfill non-vesting conditions but have not fulfilled during the pending period, the Group will treat the granted equity instruments as cancelled.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

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

(5) Accounting treatment for share-based payments involving the Company and the shareholders or the de facto controller of the Company

For share-based payment transactions involving the Company and the shareholders or the de facto controller of the Company, the settlement enterprise and the enterprise receiving services (one under the Company while another external to the Company) shall follow the requirements below to conduct accounting treatment in the Company's consolidated financial statements:

- ① For settlement enterprises settling through their own equity instruments, such share-based payment transaction will be treated as equity-settled share-based payment; except for this, such share-based payment transaction will be treated as cash-settled share-based payment.

Where a settlement enterprise is an investor of an enterprise receiving services, the fair value of the equity instruments on the date of grant or the fair value of the liabilities that shall be assumed are recognised as long-term equity investment in the enterprise receiving services, at the same time, capital reserve (other capital reserve) or liabilities are recognised.

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

For a share-based payment transaction occurring between each enterprise 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 (as compared with the above principles).

27. Preferred shares, perpetual bonds and other financial instruments

(1) Classification of financial liabilities and equity instruments

The Group 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 instrument and the economic substance it reflects, instead of only in legal form, and combine the definition 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 Group are initially recognized and measured in accordance with the financial instrument standards; thereafter, interest or dividends are accrued or distributed on each balance sheet date and processed in accordance with relevant specific accounting standards for enterprises. That is, on the basis of the classification of the 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 distribution of the Group, 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 repurchase or redemption are credited to profit or loss for the current period.

The transaction costs such as charges and commissions incurred by the Group when issuing financial instruments, if classified as debt instruments and measured at amortized cost, are included in the initial measurement amount of the issued instrument; if classified as equity instruments, are deducted from equity.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***28. Revenue**

The Group shall recognize revenue when the Group 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 Group 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 Group 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 Group when the Group 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 Group under the contract.
- ③ The product produced by the Group under the contract is irreplaceable and the Group has the right to payment for performance completed to date during the term of the contract.

For a performance obligation satisfied over time, the Group shall recognize 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 Group 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 Group shall recognize revenue when the customer obtains control of relevant goods or services. When determining whether the customer has obtained control of the goods and services, the Group will consider the following indications:

- ① the Group has the current right to receive payment for the goods or services, which is when the customers have the current payment obligations for the goods.
- ② the Group has transferred the legal title of the goods to the client, which is when the client possesses the legal title of the goods.
- ③ the Group has transferred the physical possession of goods to the customer, which is when the customer obtain physical possession of the goods.
- ④ the Group has transferred all of the substantial risks and rewards of ownership of the goods to the customer, which is when the client obtain all of the substantial risks and rewards of ownership of the goods to the customer.
- ⑤ when the customer has accepted the goods or services.
- ⑥ when other information indicates that the customer has obtained control of the goods.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***28. Revenue** *(continued)*

A contract asset represents the Group'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 loss allowances for expected credit loss is recognised (see Note III.10(6)). The Group shall present any unconditional (i.e. if only the passage of time is required) rights to consideration separately as a receivable. A contract liability is the Group'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 mobility; 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 mobility.

The Group 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 recognized mainly by adopting FOB mode according to custom declaration upon making declaration for goods and completing the export procedures.

29. Contract costs

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

Incremental costs of obtaining a contract are those costs that the Group 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 Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- ① the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;
- ② the costs enhance resources of the Group that will be used in satisfying performance obligations in the future;
- ③ the costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the "assets related to contract costs") are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***29. Contract costs** *(continued)*

The Group 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 Group 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 not clearly defined in the official documents and can form long term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to income. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to income.

The government grant related to assets is recognised as deferred income and would be transferred to profit or loss in reasonable and systematic manner within the period of use of the relevant assets. The government grant related to income which is used to compensate the relevant costs or losses incurred should be recognised in the profit or loss for the current period; the government grant related to income which is used to compensate the relevant costs or losses for the subsequent period is recognised as deferred income and shall be recognised in profit or loss during the relevant cost or loss confirmation period. Government grants measured in nominal terms are directly included in the profit or loss for the current period. The Group has adopted a consistent approach to the same or similar government grant business.

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. 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 (or deductible loss) 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 Group 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 (or deductible loss) 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.

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 Group 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 Group, 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 Group 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 Group as the lessee

At the inception of a lease, the Group 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. 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 Group 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.

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 Group chooses to adopt the above simplified treatment method in accordance with the specific conditions of each lease.

The Group 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.

(3) The Group as the lessor

When the Group is the lessor, the lease that substantially transfers all the risks and rewards related to the ownership of assets is recognised as a finance lease, and leases other than finance leases are recognised as operating leases.

Finance leases

In a financial lease, the Group uses the net investment in leases as the carrying amount of finance lease receivables at the inception of a lease. The net investment in leases is the sum of the unguaranteed residual value and the present value of the outstanding lease payment at the inception of a lease, discounted using the interest rate implicit in the lease. The Group, 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 lease liability, which are obtained by the Group as a lessor, are recognised in profit or loss as incurred.

The termination of recognition and impairment of financial lease receivables is accounted for in accordance with the provisions of "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument" and "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets".

Operating leases

For the rental of operating leases, the Group 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 capitalised 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***33. Right-of-use assets****(1) Recognition condition of right-of-use assets**

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

Right-of-use assets are initially measured at cost as at the commencement date of the lease, which consists of: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date of the lease less any lease incentives received if any; initial direct expenses incurred by the Group as a lessee; costs to be incurred by the Group as a lessee in dismantling and removing a leased asset, restoring the site on which it is located or restoring the leased assets to the condition required by the terms and conditions of the lease. The Group as a lessee recognises and measures the costs of demolition and restoration according to "Accounting Standards for Business Enterprises No.13 – Contingencies", and subsequently adjusts for any remeasurement of lease liability.

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

The Group calculates depreciation on a straight-line basis. Right-of-use assets in which the Group 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, if the capital reserve is not sufficient to be offset, the excess amount shall be recognised to offset surplus reserve and undistributed profit. When the treasury stocks are cancelled, the capital shall be eliminated according to the number of shares and par value of cancellation shares, the difference between the actual amount received and the carrying amount of the treasury stock are recognised as capital reserve, if the capital reserve is not sufficient to be offset, the excess amount shall be recognised to offset surplus reserve and undistributed profit.

35. Restricted shares

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***36. Significant accounting judgements and estimates**

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

(1) Classification of financial assets

Significant judgements involved in determining the classification of financial assets include analysis of business mode and characteristics of the contractual cash flows.

Factors considered by the Group 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 Group adopts the following significant judgements: whether the time distribution or amounts of the principal within the duration may change due to early repayment and other reasons; whether the interest includes only the time value of money, credit risk, other basic lending risks and the consideration for cost and profit. For example, the amounts of early repayment only reflect principal unpaid, the interest based on principal unpaid and reasonable compensation paid for early termination of a contract.

(2) Measurement of ECL for account receivables

The Group 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 Group 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 Group uses indicators including the risk of economic downturn, external market environment, technology environment and changes on customer situation. The Group periodically monitors and reviews assumptions relevant to the measurement of ECL.

(3) Impairment of goodwill

The Group 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 Group 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 capitalised 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.

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 Group 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 Group 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 Group 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 the "Interpretation for Accounting Standards for Business Enterprises No. 13" (Cai Kuai [2019] No. 21)(hereinafter referred to as "Interpretation No. 13") in December 2019.

Interpretation No. 13 amended the three essential factors that constitute a business, refined the conditions in judgment for a business, and introduced the "concentration test" method for the purchaser to judge whether the operating activities or portfolio of assets acquired under the consolidation of enterprises not under common control constitute a business.

Interpretation No. 13 clarified that the related parties of an enterprise include joint ventures or associates of other common member units (including parent companies and subsidiaries) under the corporate group of an enterprise, and the joint ventures or associates of the investor which has common control over an enterprise, etc.

Interpretation No.13 came into effect on 1 January 2020, the Group has adopted the method of future applicable law in accounting treatment in response to the above change in accounting policy.

The adoption of Interpretation No. 13 did not have material impact on the financial conditions, operating results and disclosure of related parties of the Group.

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

None.

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) Co., Ltd. (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)	15
Livzon MABPharm (US) Inc. (麗珠單抗生物技術(美國)有限公司)	21
Livzon International Limited、Livzon Biologics Limited、Livzon International Ventures、Livzon International Ventures I、Livzon International Ventures II	0
Other subsidiaries	25

IV. TAXATION *(continued)***2. Tax preference and approvals****(1) Preferential value added tax**

In accordance with the Announcement on Value Added Tax on Biological Products Sold by Pharmaceutical Operation Enterprises (Announcement of State Administration of Taxation 2012 No. 20) and the Notice of the Ministry of Finance, the General Administration of Customs, the State Administration of Taxation and the State Drug Administration on the Value-Added Tax Policies for Anti-Cancer Drugs (Caishui [2018] No. 47), the biological products and anti-cancer drugs sold by the Group 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) and Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司) have reapplied for the status of high and new technology enterprise during the year and have been announced to be recognized as high and new technology enterprises; 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) are entitled to enjoy preferential income tax policies applicable to high and new technology enterprises since 2019 for a valid period of three years; Shanghai Livzon Biotechnology Co., Ltd. (上海麗珠生物科技有限公司) is entitled to enjoy preferential income tax policies applicable to high and new technology enterprises since 2018 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) has been approved to enjoy the taxation preference for enterprises under the classification of Encouraged Industries in Western China. The aforesaid companies are subject to an enterprise income tax rate of 15% for the Year.

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.

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Unless specified otherwise, "Beginning of the Year" refers to 1 January 2020, "End of the Year" refers to 31 December 2020; "Year" refers to the year 2020 and "Last Year" refers to the year 2019 in the following notes (including major notes to the financial statements of the Company).

1. Monetary funds

Item	Balance at End of the Year			Balance at 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:						
RMB	–	–	160,781.75	–	–	126,821.79
Euro	–	–	143,535.86	–	–	109,590.98
USD	1,579.87	8.0250	12,678.46	1,579.87	7.8155	12,347.47
	700.00	6.5249	4,567.43	700.00	6.9762	4,883.34
Bank deposits:						
RMB	–	–	9,860,877,412.96	–	–	8,851,796,592.01
HKD	–	–	8,962,639,630.48	–	–	7,903,329,660.13
Euro	59,024,354.62	0.84164	49,677,257.82	14,642,464.71	0.89578	13,116,427.05
USD	78,241.56	8.0250	627,888.52	102,814.97	7.8155	803,550.41
MOP	129,781,661.24	6.5249	846,812,361.44	133,419,180.83	6.9762	930,758,889.31
JPY	1,370,869.68	0.8172	1,120,274.70	3,494,729.58	0.8703	3,041,463.15
	0.00	0.063236	0.00	11,650,001.00	0.064086	746,601.96
Bank deposits: Deposits with financial companies			–			–
Other monetary funds:						
RMB	–	–	92,709,368.76	–	–	3,484,988.98
HKD	–	–	2,930,256.74	–	–	1,601,286.68
USD	1,614,514.71	0.84164	1,358,840.16	1,334,878.88	0.89578	1,195,757.80
	13,551,207.20	6.5249	88,420,271.86	98,613.07	6.9762	687,944.50
Total			9,953,747,563.47			8,855,408,402.78
Of which: Total amount of overseas deposits			801,916,581.94			822,034,509.84

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 may have probable risks in its collection. Below are the details of the use of restricted monetary funds:

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Deposits under guarantee	1,697,573.39	1,222,549.24

2. Financial assets held for trading

(1) Classification

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Financial assets held for trading	25,984,877.13	17,191,861.74
Of which: Debt instrument investments	909,752.05	895,270.68
Equity instrument investments	14,351,400.72	14,198,906.96
Derivative financial assets	10,723,724.36	2,097,684.10
Total	25,984,877.13	17,191,861.74

- ① The Group's investments in equity instruments and debt instruments for financial assets held for trading at the End of the Year were listed for trading on Shenzhen Stock Exchange and Hong Kong Stock Exchange. Their fair value was determined based on the closing price on the last trading day in the Reporting Period.
- ② Derivative financial assets represent foreign currency forward contracts, futures contracts, gains from unexpired contracts measured at fair value was recognised as financial assets at balance sheet date.
- (2) No restrictive financial asset measured at fair value through profit or loss was realised in the ending balance.
- (3) No hedging instruments in the ending balance and no hedging transactions occurred during the Year.

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

3. Bills receivables

Type of bills	Balance at the End of the Year			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	1,149,425,595.17	481,000.00	1,148,944,595.17	952,945,194.97	0.00	952,945,194.97
Commercial acceptance bills	0.00	0.00	0.00	50,000.00	50,000.00	0.00
Total	1,149,425,595.17	481,000.00	1,148,944,595.17	952,995,194.97	50,000.00	952,945,194.97

(1) Pledged bills receivables at the End of the Year

Type	Pledged amount at the End of the Year
Bank acceptance bills	232,664,555.17

As at 31 December 2020, bills with carrying amount of RMB232,664,555.17 (31 December 2019: RMB212,142,008.83) were pledged for bank acceptance bills.

(2) Endorsed or discounted bills receivables not yet mature by the date of balance sheet at the End of the Year

Type	Amount derecognized at the End of the Year	Amount not derecognized at the End of the Year
Bank acceptance bills not yet mature but already endorsed	179,210,581.73	0.00
Bank acceptance bills not yet mature but already discounted	0.00	0.00
Total	179,210,581.73	0.00

During the Year, the Group discounted RMB100,000.00 bank acceptance bills (Last Year: RMB0.00) to a bank. As the main risks (such as interest rate risks) and rewards related to these bank acceptance bills were transferred to the bank, the Group derecognised the undue bank acceptance bills that had been discounted. The discounted fee was RMB1,235.00 (Last Year: RMB0.00).

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

3. Bills receivables (continued)

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

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

Category	Balance at the End of the Year					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 amount	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying amount
Provision for bad debt on individual basis	481,000.00	0.04	481,000.00	100.00	0.00	50,000.00	0.01	50,000.00	100.00	0.00
Of which:										
Commercial acceptance bills	0.00	0.00	0.00	0.00	0.00	50,000.00	0.01	50,000.00	100.00	0.00
Bank acceptance bills	481,000.00	0.04	481,000.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00
Provision for bad debt on collective basis	1,148,944,595.17	99.96	0.00	0.00	1,148,944,595.17	952,945,194.97	99.99	0.00	0.00	952,945,194.97
Of which:										
Bank acceptance bills	1,148,944,595.17	99.96	0.00	0.00	1,148,944,595.17	952,945,194.97	99.99	0.00	0.00	952,945,194.97
Total	1,149,425,595.17	100.00	481,000.00	0.04	1,148,944,595.17	952,995,194.97	100.00	50,000.00	0.01	952,945,194.97

Provision for bad debt on individual basis:

Name	Balance at the End of the Year				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	0.00	0.00	0.00	
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		50,000.00	50,000.00	100.00	

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

3. Bills receivables *(continued)*

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

	Amount of provision for bad debt
Balance at the Beginning of the Year	50,000.00
Provision for the Year	481,000.00
Recoveries or Reversals during the Year	50,000.00
Write-off during the Year	0.00
Balance at the End of the Year	481,000.00

(6) No bills receivable were actually written-off during the Year.

4. Accounts receivables

(1) Disclosed using the aging analysis method

Aging	Balance at the End of the Year	Balance at the Beginning of the Year
Within 1 year		
Of which: Within 3 months (including 3 months)	1,573,299,819.60	1,267,427,287.81
4 – 6 months (including 6 months)	157,381,703.50	158,989,752.29
7 – 12 months (including 12 months)	24,093,032.71	48,013,022.41
Sub-total within 1 year:	1,754,774,555.81	1,474,430,062.51
1 – 2 years (including 2 years)	16,114,928.65	26,691,843.97
2 – 3 years (including 3 years)	7,813,086.60	8,015,499.93
Over 3 years	9,803,417.28	16,240,758.37
Sub-total	1,788,505,988.34	1,525,378,164.78
Less: Provision for bad debt	45,357,950.96	52,939,228.52
Total	1,743,148,037.38	1,472,438,936.26

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

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 Year					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	632,394.67	0.04	632,394.67	100.00	0.00	5,324,302.69	0.35	5,324,302.69	100.00	0.00
Of which:										
Due from domestic customers	518,861.41	0.03	518,861.41	100.00	0.00	5,324,302.69	0.35	5,324,302.69	100.00	0.00
Due from overseas customers	113,533.26	0.01	113,533.26	100.00	0.00	0.00	0.00	0.00	0.00	0.00
Provision for bad debt on collective basis	1,787,873,593.67	99.96	44,725,556.29	2.50	1,743,148,037.38	1,520,053,862.09	99.65	47,614,925.83	3.13	1,472,438,936.26
Of which:										
Due from domestic customers	1,476,500,020.12	82.55	39,249,778.35	2.66	1,437,250,241.77	1,260,940,618.92	82.66	43,323,313.74	3.44	1,217,617,305.18
Due from overseas customers	311,373,573.55	17.41	5,475,777.94	1.76	305,897,795.61	259,113,243.17	16.99	4,291,612.09	1.66	254,821,631.08
Total	1,788,505,988.34	100.00	45,357,950.96	2.54	1,743,148,037.38	1,525,378,164.78	100.00	52,939,228.52	3.47	1,472,438,936.26

Provision for bad debt on individual basis:

Name	Balance at the End of the Year				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
Guangzhou Qiyu Chemical Instrument Co., Ltd. (廣州市祺宇化工儀器有限公司)	0.00	0.00	0.00		970,024.00	970,024.00	100.00	Not expected to be recoverable
Guangxi Pharmaceutical Limited Liability Company (廣西醫藥有限公司)	0.00	0.00	0.00		591,742.00	591,742.00	100.00	Not expected to be recoverable
Other customers	632,394.67	632,394.67	100.00	Not expected to be recoverable	3,762,536.69	3,762,536.69	100.00	Not expected to be recoverable
Total	632,394.67	632,394.67	100.00		5,324,302.69	5,324,302.69	100.00	

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 Year			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)	1,316,465,183.99	12,987,109.58	0.99	1,039,526,776.51	10,667,587.15	1.03
4 – 6 months (including 6 months)	104,277,454.99	5,122,907.33	4.91	129,650,653.94	6,446,148.16	4.97
7 – 12 months (including 12 months)	22,794,601.94	3,121,893.21	13.70	46,719,132.51	4,665,893.50	9.99
1 – 2 years	16,001,395.39	3,540,166.47	22.12	26,684,993.01	5,374,093.22	20.14
2 – 3 years	7,813,086.60	5,329,404.55	68.21	7,440,805.11	5,251,333.87	70.57
Over 3 years	9,148,297.21	9,148,297.21	100.00	10,918,257.84	10,918,257.84	100.00
Total	1,476,500,020.12	39,249,778.35	2.66	1,260,940,618.92	43,323,313.74	3.44

Item with provision on collective basis: Due from overseas customers

	Balance at the End of the Year			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)	256,834,635.61	2,526,508.31	0.98	227,900,511.30	2,283,105.86	1.00
4 – 6 months (including 6 months)	53,104,248.51	2,639,201.66	4.97	29,339,098.35	1,461,225.66	4.98
7 – 12 months (including 12 months)	1,298,430.77	173,809.31	13.39	1,293,889.90	123,980.13	9.58
1 – 2 years	0.00	0.00	0.00	6,850.96	1,375.89	20.08
2 – 3 years	0.00	0.00	0.00	515,645.82	364,677.71	70.72
Over 3 years	136,258.66	136,258.66	100.00	57,246.84	57,246.84	100.00
Total	311,373,573.55	5,475,777.94	1.76	259,113,243.17	4,291,612.09	1.66

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 Year

	Amount of provision for bad debt
Balance at the Beginning of the Year	52,939,228.52
Provision for the Year	12,592.30
Recoveries or reversals during the Year	0.00
Write-off during the Year	7,576,094.43
Others	-17,775.43
Balance at the End of the Year	45,357,950.96

As at 31 December 2020 and 31 December 2019, the Group had no accounts receivables that were past due but not impaired.

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

Item	Amount written off
Accounts receivables that were actually written off	7,576,094.43

(5) Top five balances of accounts receivables by debtors at the End of the Year

The total amount of the top five balances of accounts receivables by debtors at the End of the Year was RMB202,796,682.06, representing 11.34% of the total balances of accounts receivables at the End of the Year, and the corresponding aggregate amount of the balances of provision for bad debt at the End of the Year was RMB3,486,356.56.

(6) No accounts receivables of the Group has been derecognized due to the transfer of financial assets.

(7) The Group has no assets or liabilities formed by its continuous involvement of transferring account receivables.

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 Year		Balance at the Beginning of the Year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	133,930,367.63	94.20	182,616,289.28	98.06
1 – 2 years	6,668,785.74	4.69	2,281,912.56	1.23
2 – 3 years	538,448.27	0.38	1,195,992.04	0.64
Over 3 years	1,036,527.60	0.73	137,728.28	0.07
Total	142,174,129.24	100.00	186,231,922.16	100.00

(2) Prepayments to units with top five balances at the End of the Year by payees of the prepayments

The total amount of prepayments with top five balances at the End of the Year by payees of the prepayments was RMB42,150,876.39, representing 29.65% of the total balance of prepayments at the End of the Year.

6. Other receivables

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Dividends receivables	0.00	11,475,000.00
Other receivables	74,284,405.28	80,373,022.04
Total	74,284,405.28	91,848,022.04

(1) Dividends receivables

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	0.00	11,475,000.00
Sub-total:	0.00	11,475,000.00
Less: Provision for bad debt	0.00	0.00
Total	0.00	11,475,000.00

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

6. Other receivables *(continued)*

(2) Other receivables

① Disclosed using the aging analysis method

	Balance at the End of the Year	Balance at the Beginning of the Year
Aging		
Within 1 year	73,085,949.68	78,289,972.78
1 – 2 years	2,705,729.84	3,599,339.85
2 – 3 years	956,049.50	1,345,937.54
Over 3 years	7,845,272.86	7,118,503.43
Sub-total	84,593,001.88	90,353,753.60
Less: Provision for bad debt	10,308,596.60	9,980,731.56
Total	74,284,405.28	80,373,022.04

② Disclosed by nature

Item	Balance at the End of the Year			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	4,695,982.35	1,380,899.03	3,315,083.32	2,802,217.95	275,383.14	2,526,834.81
Reserve fund and advances	18,878,001.60	2,326,764.94	16,551,236.66	33,542,667.66	2,980,862.62	30,561,805.04
Related party balances	21,389,495.95	479,543.27	20,909,952.68	1,134,056.86	17,978.36	1,116,078.50
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	23,764,211.44	250,463.32	23,513,748.12	18,989,200.81	180,250.01	18,808,950.80
Amounts of exercised options	9,169,356.40	0.00	9,169,356.40	0.00	0.00	0.00
Others	1,695,954.14	870,926.04	825,028.10	28,885,610.32	1,526,257.43	27,359,352.89
Total	84,593,001.88	10,308,596.60	74,284,405.28	90,353,753.60	9,980,731.56	80,373,022.04

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 Year, 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	9,169,356.40	0.00	0.00	9,169,356.40	
Amounts of exercised options	9,169,356.40	0.00	0.00	9,169,356.40	Recoverable
Provision for bad debt on collective basis	0.00	0.00	0.00	0.00	–
Total	9,169,356.40	0.00	0.00	9,169,356.40	

At the End of the Year, 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	69,450,793.57	6.24	4,335,744.69	65,115,048.88	
Export tax refund receivable	23,764,211.44	1.05	250,463.32	23,513,748.12	
Deposits under guarantee and security deposits and lease expenses	4,695,982.35	29.41	1,380,899.03	3,315,083.32	
Other receivables	40,990,599.78	6.60	2,704,382.34	38,286,217.44	
Total	69,450,793.57	6.24	4,335,744.69	65,115,048.88	

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 Year, 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	Unlikely to be recovered
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 2019, the provision for bad debt was as follows:

As at 31 December 2019, 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	11,475,000.00	0.00	0.00	11,475,000.00	
Dividends receivables	11,475,000.00	0.00	0.00	11,475,000.00	Already recovered
Provision for bad debt on collective basis	0.00	0.00	0.00	0.00	—
Total	11,475,000.00	0.00	0.00	11,475,000.00	

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 2019, 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	89,380,901.69	10.08	9,007,879.65	80,373,022.04	
Export tax refund receivable	18,989,200.81	0.95	180,250.01	18,808,950.80	
Deposits under guarantee and security deposits and lease expenses	2,802,217.95	9.83	275,383.14	2,526,834.81	
Other receivables	67,589,482.93	12.65	8,552,246.50	59,037,236.43	
Total	89,380,901.69	10.08	9,007,879.65	80,373,022.04	

As at 31 December 2019, 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	972,851.91	100.00	972,851.91	0.00	
Other receivables	972,851.91	100.00	972,851.91	0.00	Unlikely to be recovered
Provision for bad debt on collective basis	0.00	0.00	0.00	0.00	—
Total	972,851.91	100.00	972,851.91	0.00	

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 Year

	Step 1	Step 2	Step 3	
	Expected	Expected	Expected	
	credit loss	credit loss	credit loss	
	over the	over the	over the	
	next	lifetime	lifetime (with	
	12 months	(without	impairment	
Provision for bad debt		of credit)	of credit)	Total
Balance at the Beginning of the Year	0.00	9,007,879.65	972,851.91	9,980,731.56
Balance at the Beginning of the Year				
– Transferred to Step 2	0.00	0.00	0.00	0.00
– Transferred to Step 3	0.00	-5,462,653.37	5,462,653.37	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 Year	0.00	836,399.61	0.00	836,399.61
Reversal during the Year	0.00	0.00	0.00	0.00
Settlement during the Year	0.00	0.00	0.00	0.00
Write-off during Year	0.00	0.00	462,653.37	462,653.37
Other changes	0.00	-45,881.20	0.00	-45,881.20
Balance at the End of the Year	0.00	4,335,744.69	5,972,851.91	10,308,596.60

- ⑤ Other receivables that were actually written off during the Year

Item	Amount written off
Other receivables that were actually written off	462,653.37

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 Year

Name of entity	Nature of amount	Balance of other receivables at the End of the Year	Aging	Percentage in the total balance of other receivables at the End of the Year (%)	Balance of provision for bad debt at the End of the Year
Tax refund on exports	Export tax refund	23,764,211.44	Within 1 year	28.10	250,463.32
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Equity transfer amount	15,000,000.00	Within 1 year	17.73	415,461.96
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	9,169,356.40	Within 1 year	10.84	0.00
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Processing fees	6,378,965.95	Within 1 year	7.54	63,789.66
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	5.91	5,000,000.00
Total	—	59,312,533.79	—	70.12	5,729,714.94

- ⑦ No accounts receivables of the Group has been derecognized due to the transfer of financial assets.
- ⑧ The Group has no assets or liabilities formed by its continuous involvement of transferring other receivables.

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

7. Inventories

(1) Inventories by types

Item	Balance at the End of the Year			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	409,252,146.81	20,555,748.91	388,696,397.90	308,065,385.96	4,836,258.42	303,229,127.54
Packaging materials	44,697,655.81	6,432,624.89	38,265,030.92	31,562,625.12	465,535.36	31,097,089.76
Work in progress	211,526,923.16	0.00	211,526,923.16	201,840,567.02	793,333.83	201,047,233.19
Finished goods	784,336,751.24	27,934,585.19	756,402,166.05	609,311,319.20	32,898,441.11	576,412,878.09
Sub-contracting materials	1,863,102.15	0.00	1,863,102.15	3,133,458.48	0.00	3,133,458.48
Low-value consumables	18,794,613.89	60,456.04	18,734,157.85	15,268,908.53	55,772.65	15,213,135.88
Goods in transit	16,254,228.12	0.00	16,254,228.12	0.00	0.00	0.00
Consumable biological assets	11,511,335.81	0.00	11,511,335.81	11,248,048.47	0.00	11,248,048.47
Proprietary semi-finished goods	45,838,705.61	1,295,657.59	44,543,048.02	28,696,528.65	1,223,163.03	27,473,365.62
Total	1,544,075,462.60	56,279,072.62	1,487,796,389.98	1,209,126,841.43	40,272,504.40	1,168,854,337.03

(2) Provision for diminution in value of inventories

Item	Balance at the Beginning of the Year	Increase during the Year		Decrease during the Year		Balance at the End of the Year
		Provision	Others	Reversal or write-off	Others	
Raw materials	4,836,258.42	20,700,650.60	0.00	4,981,160.11	0.00	20,555,748.91
Packaging materials	465,535.36	8,160,351.76	0.00	2,193,262.23	0.00	6,432,624.89
Work in progress	793,333.83	0.00	0.00	793,333.83	0.00	0.00
Finished goods	32,898,441.11	40,036,728.53	0.00	45,000,584.45	0.00	27,934,585.19
Low-value consumables	55,772.65	4,714.36	0.00	30.97	0.00	60,456.04
Proprietary semi-finished goods	1,223,163.03	1,174,818.18	0.00	1,102,323.62	0.00	1,295,657.59
Total	40,272,504.40	70,077,263.43	0.00	54,070,695.21	0.00	56,279,072.62

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 Year
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	Processing and discard
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 Year.

8. Non-current assets due within one year

Item	Balance at the end of the Year	Balance at the beginning of the Year
Long-term receivables due within 1 year	11,414,376.07	17,497,288.62

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

9. Other current assets

Item	Balance at the end of the Year	Balance at the beginning of the Year
Input VAT pending deduction/attestation	4,127,730.39	3,752,087.13
Remaining VAT credit	27,022,139.55	11,021,418.29
Advance payment of income tax	8,712,739.55	2,522,423.64
Cash management	0.00	93,481,080.00
Profit or loss from assets to be processed	0.00	9,433.96
Total	39,862,609.49	110,786,443.02

10. Long-term receivables

(1) Long-term receivables disclosed by nature

Item	Balance at the End of the Year			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	10,967,767.26	0.00	10,967,767.26	28,325,432.25	0.00	28,325,432.25	5.00%
Amount under finance lease	1,030,893.17	0.00	1,030,893.17	0.00	0.00	0.00	4.75%
Of which: Unrealized finance income	93,010.65	0.00	93,010.65	0.00	0.00	0.00	
Sub-total	11,998,660.43	0.00	11,998,660.43	28,325,432.25	0.00	28,325,432.25	
Less: Long-term receivables due within 1 year	11,414,376.07	0.00	11,414,376.07	17,497,288.62	0.00	17,497,288.62	
Total	584,284.36	0.00	584,284.36	10,828,143.63	0.00	10,828,143.63	

(2) The Group's long-term receivables have not been overdue.

(3) No long-term receivables of the Group has been derecognised due to transfer of financial assets.

(4) The Group has no assets or liabilities formed by its continuous involvement of transferring long-term receivables.

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

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

11. Long-term equity investments

Investee	Change during the Year							Balance at the End of the Year	Balance of provision for impairment at the End of the Year	
	Balance at the Beginning of the Year	Acquired/ additional investment	Disposal of 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	0.00	1,200,000.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	54,537,507.79	0.00	0.00	17,734,479.74	0.00	0.00	0.00	0.00	0.00	72,271,987.53
Jiangsu Ni Ke Medical Device Co., Ltd. (江蘇尼科醫療器械有限公司)	33,238,786.35	0.00	31,731,160.45	-1,507,625.90	0.00	0.00	0.00	0.00	0.00	0.00
Shenzhen City Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	1,040,361.07	0.00	0.00	40,181.97	0.00	0.00	0.00	0.00	0.00	1,080,543.04
AbCyte Therapeutics Inc.	16,248,448.08	0.00	0.00	5,648,471.34	0.00	0.00	0.00	0.00	-5,713,368.00	0.00
L&L Biopharma Co.,Ltd. (上海健信生物醫藥科技有限公司)	15,450,185.07	0.00	0.00	-1,194,505.61	0.00	0.00	0.00	0.00	-231,560.37	0.00
DOSERNA INC	5,916,586.07	0.00	5,841,966.98	-74,619.09	0.00	0.00	0.00	0.00	0.00	0.00
Zhuhai Sammed Biotech Inc. (珠海聖美生物診斷技術有限公司)	26,021,081.94	0.00	0.00	-14,162,407.28	-40,317.61	19,831,427.67	0.00	0.00	0.00	31,649,784.72
Aetio Biotherapy, Inc.	19,046,032.19	0.00	0.00	-1,398,287.59	0.00	0.00	0.00	0.00	0.00	0.00
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	0.00	15,000,000.00	13,771,024.36	-1,228,975.64	0.00	0.00	0.00	0.00	0.00	0.00
Henan Jintcare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	0.00	22,050,000.00	0.00	-52,851.30	0.00	0.00	0.00	0.00	0.00	21,997,148.70
Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd. (江蘇新元素醫藥科技有限公司)	0.00	70,091,000.00	0.00	-1,896,511.18	0.00	2,066,111.18	0.00	0.00	0.00	70,260,600.00
Total	172,698,988.56	107,141,000.00	51,344,151.79	1,907,349.46	-40,317.61	21,897,538.85	0.00	0.00	-5,944,928.37	1,200,000.00

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

11. Long-term equity investments (Continued)

Note 1: In May 2020, the Company entered into the "Equity Transfer Agreement in relation to Jiangsu Ni Ke Medical Device Co., Ltd. (江蘇尼科醫療器械有限公司)" with Genesis Medtech Investment (HK) Limited to transfer its equity interest in Jiangsu Ni Ke Medical Device Co., Ltd. ("Jiangsu Ni Ke"), and confirmed the gain from the equity transfer of RMB100.3536 million. Upon such transfer, the Company ceased to hold any equity interest in Jiangsu Ni Ke.

Note 2: Other change of AbCyte Therapeutics Inc. is that the unrealized profit generated by its reverse trading with Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司), a subsidiary of the Company, was realized in the current year, and the Company's share of such profit was calculated in proportion to its equity interest.

Note 3: Other equity changes of Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司) are non-proportional capital increase and other equity changes, and the Company's share of such changes was calculated in proportion to its equity interest.

Note 4: In May 2020, the Company entered into an equity transfer agreement with Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司) and Zhuhai Hengqin New Area Guanlian Gu Investment Partnership (Limited Partnership) (珠海橫琴新區觀聯穀投資合夥企業 (有限合夥)), respectively, to transfer its 30% equity interest in Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司) ("Livzon Gene"). Upon such transfer, the Company held 30% equity interest in Livzon Gene. Since the Company ceased to have control over Livzon Gene but has a significant impact on it, the investment in Livzon Gene was accounted for as a long-term equity investment, and confirmed the gain from the equity transfer of RMB7.9585 million and at the same time, re-measured the remaining equity interest at fair value (the transaction price) to generate a profit of RMB7.9585 million. In December 2020, the Company entered into an equity transfer agreement with Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司) to transfer its remaining 30% equity interest in Livzon Gene and confirmed the gain from the equity transfer of RMB1.229 million. Upon such transfer, the Company ceased to hold any equity interest in Livzon Gene.

Note 5: In January 2020, the Company entered into a capital increase agreement with Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd. (江蘇新元素醫藥科技有限公司) ("Atom Bioscience") to acquire 7.82% equity interest in Atom Bioscience with an investment of RMB70.091 million. In accordance with the provisions of the articles of association, the Company is entitled to appoint one director of Atom Bioscience. Since the Company has a significant impact on Atom Bioscience, the investment in Atom Bioscience was accounted for as a long-term equity investment. Other equity change was non-proportional capital increases, and the Company's share of such capital increases was calculated in proportion to its equity interest. The percentage of the Company's equity interest in it has changed to 7.11%.

12. Other equity instrument investments

Item	Balance at the End of the Year	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)	170,772,300.00	112,172,260.00
GLOBAL HEALTH SCIENCE	246,837,324.35	219,218,806.41
SCC VENTURE VI 2018-B,L.P.	13,823,660.49	14,652,183.88
SCC VENTURE VII 2018-C,L.P.	176,752,020.58	35,583,875.14
Nextech V Oncology S.C.S., SICAV-SIF	29,583,312.39	23,057,656.50
Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物醫藥(上海)有限公司)	30,000,000.00	30,000,000.00
ELICIO THERAPEUTICS, INC.	32,624,491.32	34,886,152.10
Carisma Therapeutics, Inc.	32,622,880.98	0.00
Others	9,958,802.04	10,166,874.83
Total	742,974,792.15	479,737,808.86

As the aforesaid project is a long-term investment that the Group plans to hold for strategic purposes, the Group designates it as a financial asset measured at fair value through other comprehensive income.

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

12. Other equity instrument investments *(continued)*

Item	Dividend income recognized for the Year	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	—
SCC VENTURE VII 2018-C,L.P.	0.00	0.00	0.00	0.00	—
Nextech V Oncology S.C.S., SICAV-SIF	9,770,816.28	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	—
Others	29,399.77	0.00	0.00	0.00	—
Total	9,800,216.05	0.00	0.00	0.00	

13. Fixed assets

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Fixed assets	3,303,077,566.22	3,160,096,367.19
Disposal of fixed assets	0.00	0.00
Total	3,303,077,566.22	3,160,096,367.19

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

13. Fixed assets (continued)

(1) Fixed assets

① Status of fixed assets

Item	Plant and building	Machinery and equipment	Motor vehicles	Electronic devices and others	Total
I. Original book value:					
1. Balance at the Beginning of the Year	2,894,343,158.23	2,452,068,833.01	75,781,355.61	361,392,294.26	5,783,585,641.11
2. Addition during the Year	111,081,462.56	371,759,735.62	4,013,470.48	56,591,885.64	543,446,554.30
(1) Acquisition	25,241,203.19	96,081,069.67	4,013,470.48	44,109,795.60	169,445,538.94
(2) Construction in progress transferred	85,840,259.37	275,678,665.95	0.00	1,152,382.30	362,671,307.62
(3) Others	0.00	0.00	0.00	11,329,707.74	11,329,707.74
3. Decrease during the Year	14,161,280.36	51,691,556.76	5,068,157.43	16,083,100.13	87,004,094.68
(1) Disposal or written off	14,161,280.36	38,657,501.69	4,224,469.48	14,946,529.64	71,989,781.17
(2) Change in scope of consolidation	0.00	13,034,055.07	0.00	1,136,570.49	14,170,625.56
(3) Others	0.00	0.00	843,687.95	0.00	843,687.95
4. Balance at the End of the Year	2,991,263,340.43	2,772,137,011.87	74,726,668.66	401,901,079.77	6,240,028,100.73
II. Accumulated depreciation					
1. Balance at the Beginning of the Year	941,853,394.18	1,324,859,397.15	50,792,175.41	241,929,708.77	2,559,434,675.51
2. Addition during the Year	138,879,640.98	204,344,457.25	7,110,773.19	27,560,655.32	377,895,526.74
(1) Provision	138,879,640.98	204,344,457.25	7,110,773.19	27,615,122.57	377,949,993.99
(2) Other additions	0.00	0.00	0.00	-54,467.25	-54,467.25
3. Decrease during the Year	4,267,780.77	36,120,203.30	4,000,945.89	10,542,009.49	54,930,939.45
(1) Disposal or written-off	4,267,780.77	33,010,854.44	3,210,364.62	10,140,730.14	50,629,729.97
(2) Change in scope for consolidation	0.00	3,109,348.86	0.00	401,279.35	3,510,628.21
(3) Others	0.00	0.00	790,581.27	0.00	790,581.27
4. Balance at the End of the Year	1,076,465,254.39	1,493,083,651.10	53,902,002.71	258,948,354.60	2,882,399,262.80
III. Provision for impairment					
1. Balance at the Beginning of the Year	30,776,742.25	31,756,451.49	72,835.46	1,448,569.21	64,054,598.41
2. Additions during the Year	178,208.33	2,003,357.48	4,600.06	13,480.06	2,199,645.93
(1) Provision	178,208.33	2,003,357.48	0.00	18,080.12	2,199,645.93
(2) Others	0.00	0.00	4,600.06	-4,600.06	0.00
3. Amount decrease during the Year	9,490,740.90	2,105,125.28	0.00	107,106.45	11,702,972.63
(1) Disposal or written-off	9,490,740.90	2,105,125.28	0.00	107,106.45	11,702,972.63
4. Balance at the End of the Year	21,464,209.68	31,654,683.69	77,435.52	1,354,942.82	54,551,271.71
IV. Carrying amount					
1. Carrying amount at the End of the Year	1,893,333,876.36	1,247,398,677.08	20,747,230.43	141,597,782.35	3,303,077,566.22
2. Carrying amount at the Beginning of the Year	1,921,713,021.80	1,095,452,984.37	24,916,344.74	118,014,016.28	3,160,096,367.19

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	65,591,806.97	26,322,892.63	0.00	39,268,914.34	
Machinery and equipment	31,995,629.98	24,189,126.75	3,602,757.32	4,203,745.91	
Electronic devices and others	3,547,481.55	3,277,329.21	79,537.11	190,615.23	
Total	101,134,918.50	53,789,348.59	3,682,294.43	43,663,275.48	

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	984,066.94
Machinery and equipment	5,844,447.22
Total	6,828,514.16

⑤ Fixed assets pending for certificate of ownership

Item	Carrying amount	Reasons for pending for certificate of ownership
Plant and building	410,690,190.15	Procedure in progress

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

14. Construction in progress

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Construction in progress	385,700,738.39	233,489,857.85
Construction supplies	0.00	0.00
Total	385,700,738.39	233,489,857.85

(1) Construction in progress

① Breakdown of construction in progress

Item	Balance at the End of the Year			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)	64,845,632.88	0.00	64,845,632.88	10,066,340.20	0.00	10,066,340.20
Fuxing Company Phase I & II Projects and others (福興公司一、二期項目及其他)	95,851,873.91	0.00	95,851,873.91	58,653,678.46	0.00	58,653,678.46
Project of Shijiao New Factory (石角新廠項目)	154,752,745.97	0.00	154,752,745.97	13,679,116.59	0.00	13,679,116.59
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	16,500,619.41	0.00	16,500,619.41	44,568,865.34	0.00	44,568,865.34
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)	7,805,534.78	0.00	7,805,534.78	80,123,187.68	0.00	80,123,187.68
P06 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P06建設項目)	1,559,405.27	0.00	1,559,405.27	0.00	0.00	0.00
Project of lyophilized powder injection workshop (凍乾粉針車間專案)	8,495,072.05	0.00	8,495,072.05	0.00	0.00	0.00
P09 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P09建設項目)	307,744.41	0.00	307,744.41	0.00	0.00	0.00
Others	35,751,450.17	169,340.46	35,582,109.71	26,568,010.04	169,340.46	26,398,669.58
Total	385,870,078.85	169,340.46	385,700,738.39	233,659,198.31	169,340.46	233,489,857.85

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 Year	Transferred to fixed assets	Other deductions	Accumulated amount of capitalized interest	Of which: Amount of interest capitalized for the Year	Interest capitalization rate for the Year (%)	Balance at the End of the Year
Guangda New Factory Project (光大新廠項目)	10,066,340.20	54,779,292.68	0.00	0.00	0.00	0.00	0.00	64,845,632.88
Fuxing Company Phase I & II Projects and others (福興公司一、二期項目及其他)	58,653,678.46	121,172,045.01	83,973,849.56	0.00	0.00	0.00	0.00	95,851,873.91
Project of Shijiao New Factory (石角新廠項目)	13,679,116.59	146,222,117.85	5,148,488.47	0.00	0.00	0.00	0.00	154,752,745.97
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	44,568,865.34	27,483,096.50	55,551,342.43	0.00	0.00	0.00	0.00	16,500,619.41
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)	80,123,187.68	50,917,296.25	123,234,949.15	0.00	0.00	0.00	0.00	7,805,534.78
P06 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥P06建設項目)	0.00	1,559,405.27	0.00	0.00	0.00	0.00	0.00	1,559,405.27
Project of lyophilized powder injection workshop (凍乾粉針車間項目)	0.00	8,495,072.05	0.00	0.00	0.00	0.00	0.00	8,495,072.05
P09 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥P09建設項目)	0.00	307,744.41	0.00	0.00	0.00	0.00	0.00	307,744.41
Others	26,568,010.04	107,928,774.57	94,762,678.01	3,982,656.43	0.00	0.00	0.00	35,751,450.17
Total	233,659,198.31	518,864,844.59	362,671,307.62	3,982,656.43	0.00	0.00	0.00	385,870,078.85

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	10.04	Under construction	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	47.56	Completion of some projects	Self-funding
Project of Shijiao New Factory (石角新廠項目)	377,005,000.00	42.41	Completion of some projects	Self-funding and raised funds
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	259,737,830.00	27.74	Completion of some projects	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	49.93	Completion of some projects	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)	114,000,000.00	1.37	Under construction	Self-funding
Project of lyophilized powder injection workshop (凍乾粉針車間項目)	102,600,000.00	8.28	Under construction	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	0.10	Under construction	Self-funding
Others	—	—	—	Self-funding
Total	2,436,458,630.00	—	—	—

Other deduction mainly refers to transfer of long-term deferred expenses.

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	0.00	0.00
2. Addition during the Year	30,597,396.76	30,597,396.76
(1) Leasing	30,597,396.76	30,597,396.76
3. Decrease during the Year	0.00	0.00
4. Balance at the End of the Year	30,597,396.76	30,597,396.76
II. Accumulated depreciation		
1. Balance at the Beginning of the Year	0.00	0.00
2. Addition during the Year	12,286,018.69	12,286,018.69
(1) Provision	12,286,018.69	12,286,018.69
3. Decrease during the Year	0.00	0.00
4. Balance at the End of the Year	12,286,018.69	12,286,018.69
III. Provision for impairment		
1. Balance at the Beginning of the Year	0.00	0.00
2. Addition during the Year	0.00	0.00
3. Decrease during the Year	0.00	0.00
4. Balance at the End of the Year	0.00	0.00
IV. Carrying amount		
1. Carrying amount at the End of the Year	18,311,378.07	18,311,378.07
2. Carrying amount at the Beginning of the Year	0.00	0.00

As of 31 December 2020, the Group recognized lease expenses related to short-term leases and the leases of low-value assets of RMB2.3893 million.

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	211,838,852.50	47,052,677.10	24,000.00	10,985,294.53	537,740,442.39
2. Additions for the Year	0.00	14,617,043.55	8,603,677.28	0.00	0.00	23,220,720.83
(1) Acquisition	0.00	12,005,897.21	8,603,677.28	0.00	0.00	20,609,574.49
(2) Internal R&D	0.00	2,611,146.34	0.00	0.00	0.00	2,611,146.34
3. Decrease for the Year	0.00	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00	0.00
4. Balance at the End of the Year	267,839,618.26	226,455,896.05	55,656,354.38	24,000.00	10,985,294.53	560,961,163.22
II. Accumulated amortization						
1. Balance at the Beginning of the Year	77,312,194.54	181,428,057.13	34,838,451.55	24,000.00	3,387,132.47	296,989,835.69
2. Additions for the Year	4,970,902.53	7,668,135.85	2,612,016.85	0.00	1,098,529.45	16,349,584.68
(1) Provision	4,970,902.53	7,668,135.85	2,612,016.85	0.00	1,098,529.45	16,349,584.68
3. Decrease for the Year	0.00	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00	0.00
4. Balance at the End of the Year	82,283,097.07	189,096,192.98	37,450,468.40	24,000.00	4,485,661.92	313,339,420.37
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 Year	0.00	0.00	0.00	0.00	0.00	0.00
(1) Provisions	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease for the Year	0.00	0.00	0.00	0.00	0.00	0.00
(1) Others	0.00	0.00	0.00	0.00	0.00	0.00
4. Balance at the End of the Year	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 Year	184,574,694.25	27,150,536.31	18,205,885.98	0.00	6,499,632.61	236,430,749.15
2. Carrying amount at the Beginning of the Year	189,545,596.78	20,201,628.61	12,214,225.55	0.00	7,598,162.06	229,559,613.00

The proportion of intangible assets created due to the internal R&D in the balance of intangible assets at the End of the Year is 7.55%.

(2) Intangible assets pending for certificates of ownership

Item	Carrying amount	Reasons for pending for certificate of ownership
Land use rights	4,289,871.43	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.

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 Year		Decrease in the Year		Balance at the End of the Year
		Internal development expenditure	Other increases	Recognized as intangible assets	Recognized in profit and loss for current period	
Biologics	128,082,430.27	85,178,654.26	0.00	0.00	0.00	213,261,084.53
Chemical drug preparation	20,421,590.22	20,317,681.16	0.00	2,611,146.34	0.00	38,128,125.04
Total	148,504,020.49	105,496,335.42	0.00	2,611,146.34	0.00	251,389,209.57

Item	Point of time for commencement of capitalization	Specific basis for capitalization	Progress of research and development at the End of the Year
Chemical drug preparation	Clinical trial	Obtain approval for clinical trial and evaluated by the Group	Clinical stage
Biologics	Clinical trial	Obtain approval for clinical trial and evaluated by the Group	Clinical stage, some projects have filed for registration

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 Year		Decrease in the Year		Balance at the End of the Year
		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

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 Year		Decrease in the Year		Balance at the End of the Year
		Provision	Others	Disposal	Others	
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	11,200,000.00	0.00	0.00	0.00	0.00	11,200,000.00
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	7,271,307.03	0.00	0.00	0.00	0.00	7,271,307.03
Total	18,471,307.03	0.00	0.00	0.00	0.00	18,471,307.03

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

On the balance sheet date, the Company conducted impairment test on goodwill and adopted the asset groups related to goodwill to estimate the present value of the future cash flow when estimating the recoverable amount of the investment cost.

The estimated future cash flow of asset groups is calculated according to the five-year financial budget plan made by the management, the cash flows in the years beyond the five-year budget plan remain stable.

Key assumptions of discounted future cash flow for goodwill impairment test are as follows:

For the calculation of estimated present value of future cash flow of the asset groups related to goodwill of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), key assumptions are a gross margin of 75.25%-77.68% and a business revenue growth rate of 0~23.45% 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 66.52%-69.40% and a business revenue growth rate of 0~21.62% 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 54.90%-60.86% and a business revenue growth rate of 0~16.17% as well as a cash flow discount rate of 15.04%. The management took into account historical conditions and predictions for future market development in making above assumptions.

As tested, the management of the Company expects that no impairment provision is needed during the Reporting Period.

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 Year			Balance at the End of the Year
		Increase during the Year	Amortisation for the Year	Other decrease	
Overhaul costs of fixed assets	5,549,715.18	3,345,731.00	8,895,446.18	0.00	0.00
Renovation costs of offices	18,325,647.11	8,827,412.93	2,760,199.81	1,521,490.34	22,871,369.89
Renovation costs of plants	73,321,191.55	10,750,378.97	7,469,721.47	0.00	76,601,849.05
Resins and fillers	11,970,142.90	9,521,675.85	8,614,575.46	0.00	12,877,243.29
Others	2,174,016.75	9,029,775.92	1,351,778.67	100,703.65	9,751,310.35
Total	111,340,713.49	41,474,974.67	29,091,721.59	1,622,193.99	122,101,772.58

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 Year		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	205,356,430.84	32,323,935.29	214,519,462.30	32,694,034.01
Accrued expenses	331,698,969.35	50,732,600.47	318,335,983.06	49,340,282.63
Deductible losses	82,722,927.16	12,497,349.09	55,912,256.31	8,683,035.79
Deferred income	256,049,280.06	38,427,392.00	235,440,184.36	35,316,027.66
Unrealized gains from intra-company transactions	527,419,759.41	79,324,386.26	359,954,727.97	53,993,209.20
Share incentive costs	48,355,411.54	7,258,101.73	17,535,316.39	2,630,814.70
Changes in fair value	5,004.11	1,229.82	13,916.00	2,087.40
Other deductible temporary difference	117,745,297.25	17,661,794.59	0.00	0.00
Sub-total	1,569,353,079.72	238,226,789.25	1,201,711,846.39	182,659,491.39
Deferred income tax liabilities:				
Valuation of financial instruments held for trading and derivative financial instruments	16,492,776.21	3,013,647.66	10,261,839.54	1,577,935.72
Changes in fair value of other equity instruments through other comprehensive income	290,595,798.40	46,516,608.63	65,981,056.41	10,334,176.80
Long-term equity in investments under equity accounting method	0.00	0.00	31,618,026.12	4,742,703.92
Accelerated depreciation of fixed assets	564,348,918.93	85,208,619.02	436,636,136.75	65,689,141.76
Unrealized gains from intra-company transactions	56,940,000.00	8,541,000.00	56,940,000.00	8,541,000.00
Sub-total	928,377,493.54	143,279,875.31	601,437,058.82	90,884,958.20

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 Year	Balance at the Beginning of the Year
Deductible temporary difference	293,350,409.60	307,751,097.06
Deductible losses	1,061,605,111.16	924,622,580.83
Total	1,354,955,520.76	1,232,373,677.89

(3) Deductible losses of unrecognized deferred income tax assets will expire in the following years

Year	Balance at the End of the Year	Balance at the Beginning of the Year	Remarks
2020	—	47,491,873.28	
2021	93,908,149.76	97,337,885.51	
2022	132,891,957.05	138,177,103.20	
2023	177,946,621.74	210,580,038.62	
2024	383,554,848.28	392,706,421.60	
2025	266,868,262.30	0.00	
2027	0.00	635,203.47	
2028	0.00	8,935,708.33	
2029	0.00	15,136,971.03	
2032	0.00	1,245,859.22	
2033	0.00	6,578,221.60	
2034	0.00	2,841,372.33	
Indefinite	6,435,272.03	2,955,922.64	
Total	1,061,605,111.16	924,622,580.83	

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

21. Other non-current assets

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Remaining VAT credit	33,826,183.51	27,809,784.46
Prepayment for acquisition of project and equipment	241,125,619.01	136,915,395.63
Prepayment for acquisition of technical know-how	41,553,749.30	107,780,026.19
Total	316,505,551.82	272,505,206.28

22. Short-term loans

(1) Classification of short-term loans

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Loans on credit	1,350,000,000.00	1,151,369,666.66
Loans on guarantee	200,942,804.06	209,470,990.66
Total	1,550,942,804.06	1,360,840,657.32

(2) The Group has no overdue but outstanding short-term loans.

23. Financial liabilities held for trading

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Financial liabilities held for trading	212.07	13,916.00
Of which:		
Derivative financial liabilities	212.07	13,916.00
Total	212.07	13,916.00

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.

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

24. Bills payables

Type	Balance at the End of the Year	Balance at the Beginning of the Year
Bank acceptance bills	918,007,030.57	715,986,816.20

The Group has no due but unpaid bills payables for the Year.

25. Accounts payables

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Within 3 months (including 3 months)	571,910,893.64	415,945,057.12
4 – 6 months (including 6 months)	55,177,594.94	55,979,763.56
7 – 12 months (including 12 months)	29,908,123.16	32,189,218.73
1 – 2 years (including 2 years)	19,734,976.50	10,985,075.55
Over 2 years	30,055,369.43	32,003,810.03
Total	706,786,957.67	547,102,924.99

As at the End of the Year, there was no significant accounts payables aged over 1 year.

26. Contract liabilities

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Within 1 year	99,490,312.51	124,625,218.73
Over 1 year	4,955,114.75	27,139,931.80
Total	104,445,427.26	151,765,150.53

As at the End of the Year, there was no significant contract liabilities aged over 1 year; the amount of income recognized during the Year which was included in the carrying amount of the contract liabilities at the Beginning of the Year is RMB103,667,562.61.

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 Year	Decrease in the Year	Balance at the End of the Year
Short-term remuneration	276,125,277.73	1,113,745,792.63	1,027,895,857.53	361,975,212.83
Post-resignation benefits – defined contribution plans	94,177.19	27,429,532.88	27,523,710.07	0.00
Dismissal benefits	1,898,457.00	3,641,143.34	4,098,562.34	1,441,038.00
Total	278,117,911.92	1,144,816,468.85	1,059,518,129.94	363,416,250.83

(1) Short-term remuneration

Item	Balance at the Beginning of the Year	Increase in the Year	Decrease in the Year	Balance at the End of the Year
Salaries, bonuses, allowances and subsidies	230,803,045.49	929,376,617.08	917,314,168.02	242,865,494.55
Employee welfare	802,986.20	52,281,312.43	52,292,408.89	791,889.74
Social insurance fees	50,921.30	23,156,584.11	23,207,505.41	0.00
Including:				
1. Medical insurance fees	37,838.63	20,286,097.55	20,323,936.18	0.00
2. Work-related injury insurance fees	8,101.39	495,034.66	503,136.05	0.00
3. Maternity insurance fees	4,981.28	2,375,451.90	2,380,433.18	0.00
Housing provident fund	226,085.00	32,017,565.23	31,449,168.23	794,482.00
Labour union fees and employee education fees	47,699.16	3,647,163.57	3,632,606.98	62,255.75
Special funds of the share ownership scheme	44,194,540.58	73,266,550.21	0.00	117,461,090.79
Total	276,125,277.73	1,113,745,792.63	1,027,895,857.53	361,975,212.83

(2) Defined contribution plan

Item	Balance at the Beginning of the Year	Increase in the Year	Decrease in the Year	Balance at the End of the Year
Post-resignation benefits	94,177.19	27,429,532.88	27,523,710.07	0.00
Including:				
1. Basic pension insurance fees	87,754.77	26,643,504.34	26,731,259.11	0.00
2. Unemployment insurance fees	6,422.42	786,028.54	792,450.96	0.00
Total	94,177.19	27,429,532.88	27,523,710.07	0.00

The Group participates in pension insurance and unemployment insurance plans established by the government in accordance with relevant requirements. According to the plans, the Group makes contributions to these plans in accordance with relevant requirements of the local government. Save for the above contributions, the Group 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.

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

28. Taxes payables

	Balance at the End of the Year	Balance at the Beginning of the Year
Taxes		
Value added tax	51,689,249.26	71,947,331.03
Urban maintenance and construction tax	5,019,522.87	3,570,666.23
Enterprise income tax	179,505,599.65	138,656,871.51
Property tax	2,879,722.25	2,989,371.15
Land use tax	961,020.56	886,913.11
Individual income tax	4,154,893.72	1,467,775.94
Stamp duty	509,959.58	349,942.67
Education surcharges	3,461,056.79	2,963,016.66
Flood prevention fees	20,300.76	20,300.76
Others	614,582.50	487,336.15
Total	248,815,907.94	223,339,525.21

29. Other payables

	Balance at the End of the Year	Balance at the Beginning of the Year
Item		
Dividends payable	8,418,590.50	90,179,524.72
Other payables	2,167,249,652.65	1,926,310,976.82
Total	2,175,668,243.15	2,016,490,501.54

(1) Dividends payable

	Balance at the End of the Year	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	3,311,300.00	3,311,300.00
Staff shares of subsidiaries	2,419,800.00	2,419,800.00
Zhuhai Zhenghe Co., Ltd. (珠海正禾企業有限公司)	0.00	81,760,934.22
Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥))	1,466,606.04	1,466,606.04
Total	8,418,590.50	90,179,524.72

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
Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥))	1,466,606.04	Not yet paid
Total	8,398,416.04	—

(2) Other payables

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Office expenses	54,635,910.63	62,531,895.56
Deposits under guarantees	77,967,267.29	74,422,212.64
Business promotion expenses	1,161,104,890.76	1,080,999,482.25
Technology transfer funds	10,072,731.53	3,356,753.82
Related party balances	5,695,618.89	7,106,655.80
Accrued expenses	817,488,106.66	664,512,411.31
Others	40,285,126.89	33,381,565.44
Total	2,167,249,652.65	1,926,310,976.82

The obligations of repurchasing restricted shares of the Directors, the senior management and their spouses amounted to RMB0.00 at the End of the Year.

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 were as follows:

Item	Balance at the End of the Year	Balance at the Beginning of the Year	Reason for outstanding balance
Utilities expenses	23,215,689.01	15,850,454.31	Not yet settled
Research expenses	28,919,052.18	21,554,587.96	Not yet settled
Business promotion expenses	698,563,270.01	535,713,955.94	Not yet settled
Advertising expenses	266,371.28	266,371.28	Not yet settled
Business meeting expenses	11,735,159.40	30,473,617.98	Not yet settled
Advisory, consultancy and information disclosure expenses	2,555,835.79	2,126,203.03	Not yet settled
Others	52,232,728.99	58,527,220.81	Not yet settled
Total	817,488,106.66	664,512,411.31	

30. Non-current liabilities due within one year

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Lease liabilities due within one year	8,539,077.05	0.00

31. Other current liabilities

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Tax for items pending for settlement	6,267,034.79	0.00

32. Long-term loans

Item	Balance at the End of the Year	Interest rate range	Balance at the Beginning of the Year	Interest rate range
Loans on credit	360,324,027.48	3.55%-3.60%	0.00	—
Sub-total	360,324,027.48		0.00	
Less: Long-term loans due within 1 year	0.00		0.00	
Total	360,324,027.48		0.00	

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

33. Lease liabilities

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Amount payable under lease	18,638,102.47	0.00
Less: Lease liabilities due within one year	8,539,077.05	0.00
Total	10,099,025.42	0.00

In 2020, the amount of interest expenses of lease liabilities was RMB1.2426 million, which was recorded in finance expenses – interest expenses.

34. Deferred income

Item	Balance at the Beginning of the Year	Increase in the Year	Decrease in the Year	Balance at the End of the Year	Reason
Government grants	246,683,181.60	59,013,100.00	29,554,357.96	276,141,923.64	

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 Year	Balance at the Beginning of the Year
The overall relocation and expansion project of Sichuan Guangda Pharmaceutical Manufacturing	78,000,000.00	70,000,000.00

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

36. Share capital

2020

Item	Balance at the Beginning of the Year		Changes for the Year(+ -)					Balance at the End of the Year	
	Amount	Percentage (%)	Issuance of new shares	No. of bonus shares	Reserve fund capitalized	Others	Sub-total	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	1.83
3. Other domestic shares	2,094,795	0.22	518,392	0.00	0.00	-290,894	227,498	2,322,293	0.25
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	2,094,795	0.22	518,392	0.00	0.00	-290,894	227,498	2,322,293	0.25
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	0.00	0.00	30,420	0.00	0.00	0.00	30,420	30,420	0.00
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	0.00	0.00	30,420	0.00	0.00	0.00	30,420	30,420	0.00
Shares subject to selling restrictions in aggregate	19,401,124	2.07	548,812	0.00	0.00	-290,894	257,918	19,659,042	2.08
II. Shares not subject to selling restrictions									
1. Ordinary shares denominated in renminbi	595,497,334	63.71	9,523,909	0.00	0.00	290,894	9,814,803	605,312,137	64.07
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	34.22	0.00	0.00	0.00	0.00	0.00	319,864,217	33.85
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	915,361,551	97.93	9,523,909	0.00	0.00	290,894	9,814,803	925,176,354	97.92
III. Total number of shares	934,762,675	100.00	10,072,721	0.00	0.00	0.00	10,072,721	944,835,396	100.00

According to the relevant requirements of the Guidelines of Standardized Operation for Companies Listed on the Main Board of the Shenzhen Stock Exchange (深交所主板上市公司規範運作指引), there are 2,352,713 locked shares held by the senior management.

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

36. Share capital (continued)

2019

Item	Balance at the Beginning of the Year		Issuance of new shares	Changes for the Year(+ -)				Balance at the End of the Year	
	Amount	Percentage (%)		No. of bonus shares	Reserve fund capitalized	Others	Sub-total	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	13,312,561	1.85	0.00	0.00	3,993,768	0.00	3,993,768	17,306,329	1.85
3. Other domestic shares	1,468,197	0.20	0.00	0.00	462,229	164,371	626,600	2,094,797	0.22
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	1,468,197	0.20	0.00	0.00	462,229	164,371	626,600	2,094,797	0.22
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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares subject to selling restrictions in aggregate	14,780,758	2.05	0.00	0.00	4,455,997	164,371	4,620,368	19,401,126	2.07
II. Shares not subject to selling restrictions									
1. Ordinary shares denominated in renminbi	458,220,084	63.73	0.00	0.00	137,443,647	-166,399	137,277,248	595,497,332	63.71
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)	246,049,398	34.22	0.00	0.00	73,814,819	0.00	73,814,819	319,864,217	34.22
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	704,269,482	97.95	0.00	0.00	211,258,466	-166,399	211,092,067	915,361,549	97.93
III. Total number of shares	719,050,240	100.00	0.00	0.00	215,714,463	-2,028	215,712,435	934,762,675	100.00

According to the relevant requirements of the Guidelines of Standardized Operation for Companies Listed on the Main Board of the Shenzhen Stock Exchange (深交所主板上市公司規範運作指引), there are 2,094,797 locked shares held by the senior management.

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

37. Capital reserve

2020

Item	Balance at the Beginning of the Year	Increase in the Year	Decrease in the Year	Balance at the End of the Year
Share premium	1,091,114,796.32	365,457,551.41	0.00	1,456,572,347.73
Other capital reserve	72,289,951.85	45,989,371.98	14,481,953.87	103,797,369.96
Total	1,163,404,748.17	411,446,923.39	14,481,953.87	1,560,369,717.69

The increase in the share premium in the Year represented: ① 10,072,721 share options were actually exercised during the Year and increased the share premium by RMB351,361,148.07, and the corresponding provision for share incentive expenses in the amount of RMB3,904,685.67 was transferred from other capital reserve into share premium; ② after the share options were exercised, pursuant to the taxation rules, the difference between deductible expenses before taxation and the amount of provision reduced income tax payable by RMB10,191,717.67, the share premium was increased accordingly.

Other capital reserve increased in the Year represent: ① the increase in share incentive expenses of RMB24,091,833.13; ② the entity accounted by equity method increased capital not on pro rata basis caused changes in the shareholding ratios of the Company as well as other changes in equity and resulted in an increase in capital reserve by RMB21,897,538.85. The decrease in other capital reserve during the Year represented: ① the disposal of equity interest in entity accounted by equity method resulted in the transfer of the corresponding capital reserve in the amount of RMB10,577,268.20 to profit and loss; ② the amount of RMB3,904,685.67 was transferred to share premium.

2019

Item	Balance at the Beginning of the Year	Increase in the Year	Decrease in the Year	Balance at the End of the Year
Share premium	1,308,689,050.73	910,034.25	218,484,288.66	1,091,114,796.32
Other capital reserve	53,561,338.94	18,728,612.91	0.00	72,289,951.85
Total	1,362,250,389.67	19,638,647.16	218,484,288.66	1,163,404,748.17

The increase in the share premium in the Year represented: ① the increase of RMB910,034.25 in the net assets shares of a subsidiary corresponding to a decrease in shareholding ratio of the Company caused by the introduction of minority shareholders by the subsidiary; The decrease in the share premium in the Year represented ① the decrease of share premium in the sum of RMB23,180.04 by the repurchase and cancellation of 2,028 Restricted Shares granted to incentive participants no longer satisfying the incentive conditions; ② the decrease of share premium in the sum of RMB215,714,463.00 by the conversion of capital; ③ upon disposal of certain equity of a subsidiary without losing control, increase of share premium in the sum of RMB6,396,546.26 by the difference between the disposal price and the net assets shares of the subsidiary continuously calculated from the date of merger corresponding to the disposal of long-term equity investment, and the tax of RMB9,143,191.88 incurred in the transaction, the share premium is totally reduced by RMB2,746,645.62.

Other capital reserve increased in the Year includes: ① withdrawal of share incentive expenses of RMB14,290,505.57; ② capital reserve increase of RMB4,438,107.34 due to changes in shareholding ratio of the Company caused by disproportionate capital increase under the equity method.

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

38. Treasury shares

2020

Item	Balance at the Beginning of the Year	Increase in the Year	Decrease in the Year	Balance at the End of the Year
Repurchase of A Shares	0.00	250,061,413.16	0.00	250,061,413.16

The increase in treasury shares during the Year: The Company has repurchased 6,093,808 A Shares of the Company by way of centralized bidding transactions and the total amount of capital used was RMB250,061,413.16 (including transaction costs).

2019

Item	Balance at the Beginning of the Year	Increase in the Year	Decrease in the Year	Balance at the End of the Year
Repurchase obligation arising from the Share Incentive Scheme	25,208.04	0.00	25,208.04	0.00

The decrease in our repurchase obligation during the Year represented the repurchase and cancellation of 2,028 Restricted Shares granted to the Incentive Participants no longer satisfying the incentive conditions, resulting in a repurchase payment of RMB25,208.04, among which the decrease of share capital of RMB2,028 and capital reserve of RMB23,180.04 were attributable to the cancellation of treasury shares.

NOTES TO FINANCIAL STATEMENTS 2020

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

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

39. Other comprehensive income

2020

Item	Amount for the Year						
	Balance at the Beginning of the Year ⁽¹⁾	Amount incurred before income tax for the Year	Less: Amount recognized in other comprehensive income in previous period transferred to profit and loss or retained earnings for current period	Less: income tax expenses	Attributable to parent company after tax ⁽²⁾	Attributable to minority interests after tax	Balance at the End of the Year ⁽³⁾⁼⁽¹⁾⁺⁽²⁾
I. Other comprehensive income not to be reclassified into profit and loss	54,731,381.67	222,347,657.98	0.00	36,181,233.82	186,438,515.80	-272,091.64	241,169,897.47
1. Change in fair value of investments in other equity instruments	54,731,381.67	222,347,657.98	0.00	36,181,233.82	186,438,515.80	-272,091.64	241,169,897.47
II. Other comprehensive income to be reclassified into profit and loss	-28,327,410.02	-44,780,962.05	0.00	0.00	-42,858,686.89	-1,922,275.16	-71,186,096.91
1. Other comprehensive income to be transferred to profit and loss under equity method	155,384.33	-40,317.61	0.00	0.00	-40,317.61	0.00	115,066.72
2. Translation differences of financial statements denominated in in foreign currency	-28,482,794.35	-44,740,644.44	0.00	0.00	-42,818,369.28	-1,922,275.16	-71,301,163.63
Total other comprehensive income	26,403,971.65	177,566,695.93	0.00	36,181,233.82	143,579,828.91	-2,194,366.80	169,983,800.56

2019

Item	Amount for the Year						
	Balance at the Beginning of the Year ⁽¹⁾	Amount incurred before income tax for the Year	Less: Amount recognized in other comprehensive income in previous period transferred to profit and loss or retained earnings for current period	Less: income tax expenses	Attributable to parent company after tax ⁽²⁾	Attributable to minority interests after tax	Balance at the End of the Year ⁽³⁾⁼⁽¹⁾⁺⁽²⁾
I. Other comprehensive income not to be reclassified into profit and loss	15,576,351.33	54,794,797.20	6,993,096.87	8,567,173.77	39,155,030.34	79,496.22	54,731,381.67
1. Change in fair value of investments in other equity instruments	15,576,351.33	54,794,797.20	6,993,096.87	8,567,173.77	39,155,030.34	79,496.22	54,731,381.67
II. Other comprehensive income to be reclassified into profit and loss	-44,741,165.48	19,462,491.55	0.00	0.00	16,413,755.46	3,048,736.09	-28,327,410.02
1. Other comprehensive income to be transferred to profit and loss under equity method	0.00	155,384.33	0.00	0.00	155,384.33	0.00	155,384.33
2. Translation differences of financial statements denominated in in foreign currency	-44,741,165.48	19,307,107.22	0.00	0.00	16,258,371.13	3,048,736.09	-28,482,794.35
Total other comprehensive income	-29,164,814.15	74,257,288.75	6,993,096.87	8,567,173.77	55,568,785.80	3,128,232.31	26,403,971.65

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

40. Surplus reserve

2020

Item	Balance at the Beginning of the Year	Increase in the Year	Decrease in the Year	Balance at the End of the Year
Statutory surplus reserve	455,589,822.89	121,623,010.86	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	623,178,143.29	121,623,010.86	0.00	744,801,154.15

2019

Item	Balance at the Beginning of the Year	Increase in the Year	Decrease in the Year	Balance at the End of the Year
Statutory surplus reserve	419,666,842.50	35,922,980.39	0.00	455,589,822.89
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	587,255,162.90	35,922,980.39	0.00	623,178,143.29

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

41. Retained earnings

(1) Movement in retained earnings

Item	Amount for the Year	Amount for Last Year	Allocation or appropriation proportion
Retained earnings at the end of last year before adjustment	8,419,002,908.40	8,012,611,700.26	—
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	8,419,002,908.40	8,012,611,700.26	
Add: Net profit attributable to owners of the parent company for the Year	1,714,910,390.36	1,302,875,440.93	—
Gains on disposal of investment in other equity instruments	0.00	2,296,602.00	—
Less : Appropriation to statutory surplus reserve	121,623,010.86	35,922,980.39	10%
Appropriation to discretionary surplus reserve	0.00	0.00	
Dividends payable to ordinary shares	1,074,977,042.27	862,857,854.40	
Dividends of ordinary shares capitalized	0.00	0.00	
Retained earnings at the End of the Year	8,937,313,245.63	8,419,002,908.40	

Breakdown of adjustments to the retained earnings as at the Beginning of the Period:

- ① The effect of the retrospective adjustments arising from Accounting Standards for Business Enterprises and the related new requirements on the retained earnings as at the Beginning of the Period amounted to RMB0.00.
- ② The effect of changes in accounting policies on the retained earnings as at the Beginning of the Period amounted to RMB0.00.
- ③ The effect of corrections of significant accounting errors on the retained earnings as at the Beginning of the Period amounted to RMB0.00.
- ④ The effect of the change of the scope of combination under common control on the retained earnings as at the Beginning of the Period amounted to RMB0.00.
- ⑤ The effect of other adjustments on the retained earnings as at the Beginning of the Period amounted to RMB0.00.

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

41. Retained earnings *(continued)*

(2) Notes to appropriation of profits

Item	The Year	Unit RMB:'000
		Last Year
Dividends:		
Final dividends for 2019 paid during the Year (Note 2)	1,074,977.04	—
Final dividends for 2018 paid during the Year (Note 3)	—	862,857.85
Dividends declared after balance sheet date:		
Final dividends for 2020 (Note 1)	—	—
Final dividends for 2019 (Note 2)	—	1,074,977.04

Note 1: 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.

Note 2: On 25 March 2020, the Company considered and approved the 2019 Annual Profit Distribution Plan at the thirty-seventh meeting of the ninth session of the Board, pursuant to which a cash dividend of RMB11.50 (tax inclusive) for every 10 shares was proposed to be distributed based on the Company's total share capital of 934,762,675 shares as at the end of 2019. There would be no bonus shares, nor would the capital reserves be capitalized. If there was any change in the total issued share capital of the Company as a result of issue of new shares, exercise of share options of share incentive plan and repurchase of shares before implementing the distribution plan, the proportion of allocation would be adjusted in accordance with the principle of "the total amount of cash distribution remains unchanged". After adjustment, the cash dividend was RMB11.500552 (tax inclusive) for every 10 shares and the total amount of distribution was RMB1,074,977,042.27 (tax inclusive). The profit distribution plan was approved at the general meeting held on 25 May 2020 and the payment was completed.

Note 3: On 27 March 2019, the Company held the twenty-fifth meeting of the ninth session of the Board to consider and approve 2018 annual profit distribution, based on the Company's total share capital as at the registration date of shareholding determined by implementation of the 2018 annual profit distribution plan, a cash dividend of RMB1.2 per share (tax inclusive) would be distributed to all the shareholders of the Company. At the same time, 3 shares would be issued for every 10 shares held to all shareholders of the Company by way of capitalizing our capital reserve. Such profit distribution plan was approved on 30 May 2019 at the general meeting and payment of RMB862,857,854.40 was made.

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 Year		Amount for Last Year	
	Income	Cost	Income	Cost
Principal activities	10,463,074,011.54	3,632,207,181.26	9,317,112,446.94	3,343,936,171.01
Other activities	57,335,830.47	41,503,592.42	67,583,388.07	47,792,089.18
Total	10,520,409,842.01	3,673,710,773.68	9,384,695,835.01	3,391,728,260.19

The Group operates in a single operating segment in the PRC, i.e. the manufacture of pharmaceuticals. Accordingly, no information on operating segment of the Group is presented.

(2) Operating income and operating costs presented by product types

Item	Amount for the Year		Amount for Last Year	
	Income	Cost	Income	Cost
Principal activities:				
Chemical drug preparation products	5,402,935,767.97	1,210,708,776.13	4,931,285,414.40	1,112,476,450.97
APIs and Intermediates	2,440,263,424.49	1,654,621,969.11	2,350,068,519.91	1,621,724,121.27
Traditional Chinese drug preparation products	1,207,266,790.70	322,917,955.91	1,281,343,618.13	316,554,406.53
Diagnostic reagents and equipment	1,382,771,032.90	414,121,484.63	754,414,894.50	293,181,192.24
Others	29,836,995.48	29,836,995.48	0.00	0.00
Sub-total	10,463,074,011.54	3,632,207,181.26	9,317,112,446.94	3,343,936,171.01
Other activities:				
Sales materials	18,471,003.57	13,695,842.97	32,309,260.92	32,513,798.69
Leasing income	9,008,675.28	6,040,538.30	5,044,545.77	2,119,714.52
Processing income	11,746,279.81	10,975,329.03	1,036,934.25	600,452.69
Supply of power	11,347,388.03	10,503,017.61	10,737,556.13	10,212,292.61
Technology transfer	1,198,636.79	0.00	8,684,817.37	0.00
Others	5,563,846.99	288,864.51	9,770,273.63	2,345,830.67
Sub-total	57,335,830.47	41,503,592.42	67,583,388.07	47,792,089.18
Total	10,520,409,842.01	3,673,710,773.68	9,384,695,835.01	3,391,728,260.19

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 Year		Amount for Last Year	
	Income	Cost	Income	Cost
Domestic	8,737,922,577.51	2,724,751,497.10	8,083,464,081.64	2,545,952,333.03
Overseas	1,725,151,434.03	907,455,684.16	1,233,648,365.30	797,983,837.98
Total	10,463,074,011.54	3,632,207,181.26	9,317,112,446.94	3,343,936,171.01

(4) Operating income and operating costs presented by time of income recognition

Item	Amount for the Year		Amount for Last Year	
	Income	Cost	Income	Cost
Commodities (recognized at a point of time)	10,463,074,011.54	3,632,207,181.26	9,317,112,446.94	3,343,936,171.01

43. Taxes and surcharges

Item	Amount for the Year	Amount for Last Year
Urban maintenance and construction tax	53,776,147.78	46,310,284.59
Education surcharges	41,142,242.46	35,695,327.19
Land use tax	6,100,363.61	6,118,790.29
Property tax	16,333,150.31	15,733,344.08
Stamp duty	5,306,777.05	3,675,033.39
Vehicle and vessel usage tax	73,871.02	90,131.26
Environmental protection tax	277,071.39	609,762.97
Others	613,527.78	524,733.57
Total	123,623,151.40	108,757,407.34

Note: The bases of calculations for major taxes and surcharges are set out in Note IV.Taxation.

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

44. Selling expenses

Item	Amount for the Year	Amount for Last Year
Marketing and promotional expenses	2,716,810,842.03	2,708,111,339.13
Staff salaries	251,600,174.48	224,572,585.53
Office, entertainment and travelling expenses	49,202,358.41	46,776,683.50
Business meeting expenses	11,505,633.76	26,035,913.31
Others	46,749,813.34	87,723,282.91
Total	3,075,868,822.02	3,093,219,804.38

45. Administrative expenses

Item	Amount for the Year	Amount for Last Year
Staff salaries	286,231,634.90	280,278,079.73
Share incentive expenses	30,734,618.07	15,880,256.94
Depreciation and amortization	74,486,967.98	71,721,626.06
Loss on suspension of operations	60,597,778.07	56,505,559.65
Advisory, consultancy and information disclosure fees	17,850,479.43	14,404,954.61
Quality project expenses	51,118,220.20	44,063,358.82
Office, entertainment and travelling expenses	46,609,409.07	41,519,781.04
Repair of utilities, transportation and miscellaneous expenses	19,314,268.39	24,772,607.85
Recruitment and staff training expenses	11,668,291.91	8,973,807.00
Auditors' fees	2,405,660.37	2,245,283.02
Others	63,272,804.45	68,980,745.76
Total	664,290,132.84	629,346,060.48

46. R&D expenses

Item	Amount for the Year	Amount for Last Year
Material costs	202,578,511.38	174,950,678.98
Staff salaries	216,077,299.30	204,326,877.26
Share incentive expenses	704,431.47	833,205.56
Testing fees	342,826,127.69	228,201,060.59
Depreciation and amortization	56,723,986.21	66,960,113.43
Others	65,185,011.47	57,619,802.20
Total	884,095,367.52	732,891,738.02

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

47. Finance expenses

Item	Amount for the Year	Amount for Last Year
Interest expenses	25,313,177.20	7,255,024.45
Less: Interest income	175,564,199.33	226,434,815.93
Exchange (gains)/losses	41,557,893.84	-5,377,418.73
Commission charges and others	5,054,324.64	3,758,042.52
Total	-103,638,803.65	-220,799,167.69

48. Other income

Items of grants (sources of other income)	Amount for the Year	Amount for Last Year	Related to assets/income
Government grants	33,945,012.13	32,323,131.70	Related to assets
Government grants	181,045,571.26	122,555,248.30	Related to income
Tax withholding commission charges	1,169,206.35	288,402.81	
Extra tax deductions for tax refunds	23,224.44	1,027,852.69	
Total	216,183,014.18	156,194,635.50	

For specific information on government grants, please refer to Note V. 62. Government grants for details; for reasons of government grants which are non-recurring profit and loss items, please refer to Note XVII. 1.

49. Investment income

Item	Amount for the Year	Amount for Last Year
Long-term equity investments income under equity method	1,907,349.46	-10,686,084.85
Investment income from disposal of long-term equity investments	103,699,130.93	0.00
Investment income from financial assets held for trading during the holding period	337,875.68	318,785.83
Dividend income from other equity instrument investments	9,800,216.05	1,890,807.04
Investment income from disposal of financial assets held for trading	24,223,866.94	-11,857,182.34
Income generated from revaluation of remaining equity measured at fair value upon loss of control	7,958,514.22	0.00
Others	-298,617.11	735,912.64
Total	147,628,336.17	-19,597,761.68

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 Year	Amount for Last Year
Financial assets held for trading	8,793,015.39	1,257,123.54
Of which: Debt instrument investments	14,481.37	25,986.02
Equity instrument investments	152,493.76	-341,506.46
Derivative financial assets	8,626,040.26	1,572,643.98
Financial liabilities held for trading	13,703.93	71,378.16
Of which: Derivative financial liabilities	13,703.93	71,378.16
Total	8,806,719.32	1,328,501.70

51. Credit impairment loss ("-" represents losses)

Item	Amount for the Year	Amount for Last Year
Bad debt loss of bills receivables	-431,000.00	-50,000.00
Bad debt loss of accounts receivables	-12,592.30	-5,928,981.14
Bad debt loss of other receivables	-836,399.61	1,118,756.66
Total	-1,279,991.91	-4,860,224.48

52. Asset impairment loss ("-" represents losses)

Item	Amount for the Year	Amount for Last Year
Loss on obsolete stocks	-70,077,263.43	-50,536,285.96
Impairment loss on fixed assets	-2,199,645.93	-2,518,440.84
Impairment loss on construction in progress	0.00	-169,340.46
Total	-72,276,909.36	-53,224,067.26

53. Gains on disposal of assets

Item	Amount for the Year	Amount for Last Year
Gains on disposal of fixed assets ("-" represents losses)	-1,072,396.76	460,273.31

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

54. Non-operating income

Item	Amount for the Year	Amount for Last Year	Amount charged to non-recurring gains or losses during the Period
Government grants	0.00	81,395.56	0.00
Gains on destruction or retirement of non-current assets	19,449.81	6,803,450.08	19,449.81
Income from scraps	944,438.73	1,046,684.19	944,438.73
Compensation income	554,491.74	643,003.30	554,491.74
Waiver of payables	4,138,358.67	1,463,274.29	4,138,358.67
Others	2,535,478.21	1,445,682.92	2,535,478.21
Total	8,192,217.16	11,483,490.34	8,192,217.16

Of which, the breakdown of government grants is set out below:

Items of grants	Amount for the Year	Amount for Last Year	Related to assets/income	Notes
Others	0.00	81,395.56	Related to income	Received

55. Non-operating expenses

Item	Amount for the Year	Amount for Last Year	Amount charged to non-recurring gains or losses during the Period
Charitable donation expenses	10,810,053.84	3,745,508.60	10,810,053.84
Loss on destruction or retirement of non-current assets	4,721,538.24	3,127,835.95	4,721,538.24
Others	3,674,107.15	6,920,840.98	3,674,107.15
Total	19,205,699.23	13,794,185.53	19,205,699.23

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 Year	Amount for Last Year
Current income tax calculated according to tax laws and relevant rules	397,462,595.84	286,951,329.97
Of which:		
Domestic enterprise income tax	397,462,595.84	286,861,844.52
Corporate income tax in Hong Kong and Macau	0.00	89,485.45
Deferred income tax expenses	-39,353,614.57	-20,986,495.07
Total	358,108,981.27	265,964,834.90

(2) Reconciliation between income tax expenses and total profit is set out below:

Item	Amount for the Year	Amount for Last Year
Total profit	2,489,435,687.77	1,727,542,394.19
Income tax expenses calculated at statutory tax rate	622,358,921.94	431,885,598.55
Effect of different tax rates applicable to subsidiaries	-230,379.27	-973,053.89
Effect of tax reduction and exemption	-331,135,468.96	-282,735,079.13
Effect of non-deductible expenses	1,387,861.48	4,706,392.21
Credit (Charge) on deductible temporary differences on which deferred income tax assets are not recognized for the Year	-1,436,735.23	-5,542,149.62
Deductible losses of deferred income tax assets not recognized for the Year	68,586,089.86	103,020,992.65
Utilization of deductible losses of deferred income tax assets not recognized in prior periods	-8,622,315.05	-7,342,229.84
Others	7,201,006.50	22,944,363.97
Income tax expenses	358,108,981.27	265,964,834.90

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 Year	Amount for Last Year
Net profit attributable to ordinary shareholders of the parent company	1,714,910,390.36	1,302,875,440.93
Of which: Net profit from continuing operations	1,714,910,390.36	1,302,875,440.93
Net profit from discontinued operations	0.00	0.00
Weighted average number of ordinary shares of the Company outstanding	936,159,771	934,762,675
Effect of dilution – weighted average number of ordinary shares (share options)	2,411,730.53	–
Weighted average number of ordinary shares of the Company outstanding after adjustment	938,571,502	934,762,675
Basic earnings per share	1.83	1.39
Of which: Earnings per share of continuing operations	1.83	1.39
Earnings per share of discontinued operations	–	–
Diluted earnings per share	1.83	1.39
Of which: Diluted earnings per share of continuing operations	1.83	1.39
Diluted earnings per share of discontinued operations	–	–

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 Year	Amount for Last Year
Government grants	245,449,325.43	140,246,992.32
Interest income	175,564,199.33	226,434,815.93
Liquidated damages and compensation income	554,491.74	643,003.30
Income from scraps	944,438.73	1,046,684.19
Deposits for letter of credit/bank acceptance bills	2,198,430.07	25,007,892.22
Movements in capital and others	95,169,069.20	86,464,957.46
Total	519,879,954.50	479,844,345.42

(2) Cash paid relating to other operating activities

Item	Amount for the Year	Amount for Last Year
Business promotion expenses	2,902,771,445.52	3,077,984,529.17
R&D expenses	607,173,975.32	452,433,864.89
Bank charges	5,054,324.64	3,758,042.52
Deposits for letter of credit and bank acceptance bills	2,943,454.22	2,014,375.00
Other expenses paid	501,188,658.32	476,920,275.04
Movements in capital and others	60,305,019.89	27,254,324.71
Total	4,079,436,877.91	4,040,365,411.33

(3) Cash received relating to other investing activities

Item	Amount for the Year	Amount for Last Year
Deposits under guarantee	450,000.00	230,000.00
Insurance claims	19,828,856.24	18,266,772.62
Compensation for demolition	8,000,000.00	70,000,000.00
Others	229,160.14	0.00
Total	28,508,016.38	88,496,772.62

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 Year	Amount for Last Year
Deposits under guarantee	180,000.00	230,000.00
Foreign exchange forward contract losses	3,564,544.29	18,174,270.38
Others	179,618.71	0.00
Total	3,924,163.00	18,404,270.38

(5) Cash received relating to other financing activities

Item	Amount for the Year	Amount for Last Year
Collection and advance payment of individual income tax	2,778,643.64	2,926,091.34

(6) Cash paid relating to other financing activities

Item	Amount for the Year	Amount for Last Year
Repurchase of shares	250,061,413.16	25,208.04
Collection and advance payment of individual income tax	0.00	244,137.86
Total	250,061,413.16	269,345.90

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 Year	Amount for Last Year
1. Reconciliation from net profit to cash flow from operating activities:		
Net profit	2,131,326,706.50	1,461,577,559.29
Add: Asset impairment loss	72,276,909.36	53,224,067.26
Credit impairment loss	1,279,991.91	4,860,224.48
Depreciation of fixed assets	377,949,993.99	354,248,637.97
Amortization of intangible assets	16,349,584.68	30,364,880.81
Amortization of long-term deferred expenses	29,091,721.59	30,881,754.45
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" represents gains)	1,072,396.76	-460,273.31
Loss on retirement of fixed assets ("-" represents gains)	4,702,088.43	-3,675,614.13
Loss on fair value change ("-" represents gains)	-8,806,719.32	-1,328,501.70
Finance expenses ("-" represents gains)	58,287,574.49	-614,068.60
Investment losses ("-" represents gains)	-147,628,336.17	19,597,761.68
Decrease in deferred income tax assets ("-" represents increase)	-55,566,099.85	-41,063,226.90
Increase in deferred income tax liabilities ("-" represents decrease)	16,212,485.28	20,076,731.83
Decrease in inventories ("-" represents increase)	-400,349,024.12	-108,336,349.59
Decrease in operating items receivable ("-" represents increase)	-491,927,716.27	-81,104,920.45
Increase in operating items payable ("-" represents decrease)	525,049,999.62	13,300,757.18
Others	31,439,049.54	15,613,462.50
Net cash flow from operating activities	2,160,760,606.42	1,767,162,882.77
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
3. Net change in cash and cash equivalents:		
Cash balance at the end of the Year	9,952,049,990.08	8,854,185,853.54
Less: Cash balance at the beginning of the period	8,854,185,853.54	8,563,711,205.95
Add: Balance of cash equivalents at the end of the Year	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	1,097,864,136.54	290,474,647.59

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

59. Supplemental information to cash flow statement *(continued)*

(2) Net cash payment for acquisition of subsidiaries during the Year

Nil.

(3) Net cash received from disposal of subsidiaries during the Year

Item	Amount for the Year
Cash or cash equivalents received during the Year from disposal of subsidiaries during the Year	15,000,000.00
Of which: Zhuhai Livzon Gene Diagnostics Ltd. (珠海市麗珠基因檢測科技有限公司)	15,000,000.00
Less: Cash and cash equivalents held by subsidiaries on the date when the Company lost control	9,660,936.05
Of which: Zhuhai Livzon Gene Diagnostics Ltd. (珠海市麗珠基因檢測科技有限公司)	9,660,936.05
Add: Cash or cash equivalents received during the Year from disposal of subsidiaries during previous periods	—
Of which:	—
Net cash received from disposal of subsidiaries	5,339,063.95

(4) Composition of cash and cash equivalents

Item	Amount for the Year	Amount for Last Year
I. Cash	9,952,049,990.08	8,854,185,853.54
Of which: Cash on hand	160,781.75	126,821.79
Bank deposits that are readily available for payment	9,860,877,412.96	8,851,796,592.01
Other monetary funds that are readily available for payment	91,011,795.37	2,262,439.74
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 Year	9,952,049,990.08	8,854,185,853.54

Cash and cash equivalents excluded restricted cash and cash equivalents used by the Group.

60. Assets with restricted ownership or right of use

Item	Carrying amount at the End of the Year	Reasons for restriction
Monetary funds – Other monetary funds	1,697,573.39	Deposits for letters of guarantee and other businesses
Bills receivables	232,664,555.17	Bills pooling business, pledged bills receivables
Total	234,362,128.56	

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 Year	Exchange rate for conversion	Equivalent RMB balance at the End of the Year
Monetary funds			
Of which: HKD	60,638,869.33	0.84164	51,036,097.98
Euro	79,821.43	8.0250	640,566.98
USD	143,333,568.44	6.5249	935,237,200.73
MOP	1,370,869.68	0.8172	1,120,274.70
Accounts receivables			
Of which: USD	47,295,932.39	6.5249	308,601,229.25
Euro	158,960.00	8.0250	1,275,654.00
MOP	2,858,531.45	0.8172	2,335,991.90
Other receivables			
Of which: HKD	1,344,345.78	0.84164	1,131,455.18
MOP	581,188.00	0.8172	474,946.83
Accounts payables			
Of which: USD	33,470.14	6.5249	218,389.32
JPY	105,777,041.75	0.063236	6,688,917.01
Euro	5,665.41	8.0250	45,464.92
Other payables			
Of which: USD	1,134,288.67	6.5249	7,401,120.14
HKD	243,410.69	0.84164	204,864.17

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

Items of grants	Type	Balance at the Beginning of the Year	Amount of additional grant for the Year	Amount charged to profit and loss at the End of the Year	Other changes	Balance at the End of the Year	Amount charged to profit and loss at the End of the Year	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	25,898,166.33	0.00	4,910,000.04	0.00	20,988,166.29	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	748,129.50	0.00	748,129.50	0.00	0.00	Other income	Related to income
Research and development funds for new drug for Class I Treatment of Necrosis Factor in Human Tumour from Human Source (I 類治療用人源化抗腫瘤壞死因子 α 單克隆抗體新藥研發資金)	Fiscal appropriation	0.00	0.00	-8,000,000.00	0.00	8,000,000.00	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	13,300,000.00	0.00	0.00	0.00	13,300,000.00	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	97,500.00	7,004,900.00	78,374.15	0.00	7,024,025.85	Other income	Related to assets
Pilot-scale enlargement and industrialization of prolonged-action injection Microsphere products (長效注射微球產品的中試放大和產業化)	Fiscal appropriation	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	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	1,828,750.00	0.00	231,000.00	0.00	1,597,750.00	Other income	Related to assets
Construction of Drug Conformity Evaluation Research Center Platform (藥物一致性評價研究中心平台建設)	Fiscal appropriation	1,360,000.06	0.00	159,999.96	0.00	1,200,000.10	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	61,166,125.36	0.00	10,560,089.16	0.00	50,606,036.20	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	4,659,499.59	0.00	1,102,000.08	0.00	3,557,499.51	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	3,520,216.08	0.00	408,365.76	0.00	3,111,850.32	Other income	Related to assets
Technical transformation project of Shengji Fuzheng Injection with flexible bag (載參芪扶正注射液技改項目)	Fiscal appropriation	23,323,529.42	0.00	3,823,529.40	0.00	19,500,000.02	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	7,718,682.44	0.00	1,129,563.36	0.00	6,589,119.08	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	8,747,831.02	5,587,600.00	3,686,830.69	0.00	10,648,600.33	Other income	Related to assets

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)

Items of grants	Type	Balance at the Beginning of the Year	Amount of additional grant for the Year	Amount charged to profit and loss at the End of the Year	Other changes	Balance at the End of the Year	Amount charged to profit and loss at the End of the Year	Related to assets/income
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	432,000.00	0.00	4,000.00	0.00	428,000.00	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	1,500,000.00	1,000,000.00	1,500,000.00	0.00	1,000,000.00	Other income	Related to assets
Construction of production facilities for the GAP industrialization of astragalus at Hunyuan in Shanxi (山西澤源黃芪GAP產業化生產基地建設)	Fiscal appropriation	4,641,357.94	0.00	4,641,357.94	0.00	0.00	Other income	Related to assets
Research of technologies for the inspection of toxic substances from high-throughput aquatic products in Guangdong province (廣東省水產品中有毒物質高通量檢測技術研究)	Fiscal appropriation	80,000.00	0.00	80,000.00	0.00	0.00	Other income	Related to 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	2,068,871.53	0.00	-3,179,362.63	0.00	5,248,234.16	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	328,686.12	0.00	86,916.30	0.00	241,769.82	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	0.00	0.00	6,000,000.00	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	678,571.48	0.00	107,142.84	0.00	571,428.64	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	90,000.24	0.00	29,999.88	0.00	60,000.36	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	250,417.40	0.00	110,925.60	0.00	139,491.80	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	4,927,272.76	0.00	1,527,272.76	0.00	3,400,000.00	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」服務券支援資金)	Fiscal appropriation	0.00	132,000.00	17,027.27	0.00	114,972.73	Other income	Related to income
Commissioner workstation (特派員工作站)	Fiscal appropriation	205,000.00	0.00	60,000.00	0.00	145,000.00	Other income	Related to assets
Industrial revitalisation supporting funds (產業振興扶持資金)	Fiscal appropriation	4,761,500.01	0.00	1,158,000.00	0.00	3,603,500.01	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	0.00	0.00	8,210,800.00	Other income	Related to assets
Government grant for industrial transformation (工業轉型政府扶持資金)	Fiscal appropriation	708,333.63	0.00	199,999.96	0.00	508,333.67	Other income	Related to assets
New industrialization development grant (新型工業化發展獎金)	Fiscal appropriation	1,654,166.46	0.00	350,000.04	0.00	1,304,166.42	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	766,666.61	0.00	200,000.00	0.00	566,666.61	Other income	Related to assets

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)

Items of grants	Type	Balance at the Beginning of the Year	Amount of additional grant for the Year	Amount charged to profit and loss at the End of the Year	Other changes	Balance at the End of the Year	Amount charged to profit and loss at the End of the Year	Related to assets/income
Supporting funds for five advantageous industrial clusters and one high-tech industry (五優一新扶持資金)	Fiscal appropriation	500,000.12	0.00	99,999.96	0.00	400,000.16	Other income	Related to assets
Subsidy for new R&D institution (新型研發機構補助)	Fiscal appropriation	2,000,000.00	0.00	0.00	0.00	2,000,000.00	Other income	Related to assets
Zhuhai innovation and enterprising team and high-level talent enterprising project (paclitaxel micellar for injection) (珠海市創新創業團隊和高層次人才創業項目(注射液紫杉醇膠束))	Fiscal appropriation	0.00	2,700,000.00	0.00	0.00	2,700,000.00	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	9,250,000.00	0.00	750,000.00	0.00	8,500,000.00	Other income	Related to assets
R&D of innovative traditional Chinese medicine Qihuo Sugar (芪蘆糖) capsule for kidney for cure for diabetes and kidney disease (治療糖尿病腎病創新中藥“芪蘆糖膠囊”的研究開發)	Fiscal appropriation	1,000,000.00	0.00	0.00	1,000,000.00	0.00	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	0.00	0.00	5,600,000.00	Other income	Related to assets
Key projects of industrial core and key technologies of Zhuhai (Ryanodex) (珠海市產業核心和關鍵技術攻關方向項目(丹曲林鈔))	Fiscal appropriation	3,000,000.00	0.00	0.00	0.00	3,000,000.00	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鈔鈔)	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	855,000.00	0.00	90,000.00	0.00	765,000.00	Other income	Related to assets
Cleaner Production Audit Project (清潔生產審核項目)	Fiscal appropriation	100,000.00	100,000.00	9,999.96	0.00	190,000.04	Other income	Related to assets
Green factory (綠色工廠)	Fiscal appropriation	300,000.00	1,000,000.00	38,333.33	0.00	1,261,666.67	Other income	Related to assets
HCG project construction (HCG項目建設)	Fiscal appropriation	432,607.50	3,512,800.00	161,921.69	0.00	3,783,485.81	Other income	Related to assets
Sewage treatment system upgrade project (污水處理系統升級改造項目)	Fiscal appropriation	80,300.00	0.00	8,030.04	0.00	72,269.96	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	1,437,500.00	0.00	150,000.00	0.00	1,287,500.00	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	127,500.00	0.00	22,500.00	0.00	105,000.00	Other income	Related to assets
Funds for joint R&D and industrialization of integrated platform for molecular diagnostics (集成一體化分子診斷平台的合作研發及產業化資金)	Fiscal appropriation	2,415,100.00	0.00	865,100.00	0.00	1,550,000.00	Other income	Related to assets

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)

Items of grants	Type	Balance at the Beginning of the Year	Amount of additional grant for the Year	Amount charged to profit and loss at the End of the Year	Other changes	Balance at the End of the Year	Amount charged to profit and loss at the End of the Year	Related to assets/income
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	250,000.00	0.00	0.00	850,000.00	Other income	Related to assets
Provincial industrial innovation (provincial enterprise technology center) project in 2019 (2019年省產業創新(省級企業技術中心)項目)	Fiscal appropriation	1,880,000.00	0.00	476,266.67	0.00	1,403,733.33	Other income	Related to assets
Guangdong Province Science and Technology Department special emergency fund for scientific and technological research on prevention and control of COVID-19 (廣東省科學技術廳應急防控新型冠狀病毒感染科技攻關應急專項款)	Fiscal appropriation	0.00	500,000.00	0.00	150,000.00	350,000.00	Other income	Related to assets
Zhuhai Financial Bureau cum COVID-19 emergency technology special emergency fund (珠海市財政局匯新應急科技攻關專項款)	Fiscal appropriation	0.00	250,000.00	0.00	0.00	250,000.00	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	0.00	160,000.00	0.00	0.00	160,000.00	Other income	Related to assets
Pre-appropriation of special grants for industrialization of diagnostic reagents for COVID-19 (新型冠狀病毒檢測試劑產業化項目補助金預撥)	Fiscal appropriation	0.00	4,601,200.00	0.00	0.00	4,601,200.00	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	0.00	14,600.00	1,044.25	0.00	13,555.75	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	0.00	12,000,000.00	0.00	0.00	12,000,000.00	Other income	Related to assets
Overall relocation and deployment expansion project (整體搬遷調遷擴建項目)	Fiscal appropriation	0.00	20,000,000.00	0.00	0.00	20,000,000.00	Other income	Related to assets
Environmental protection bureau RTO project special funds (環保局RTO項目資金)	Fiscal appropriation	0.00	200,000.00	0.00	0.00	200,000.00	Other income	Related to assets
Total		246,683,181.60	59,013,100.00	28,404,357.96	1,150,000.00	276,141,923.64		

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 last year	Amount charged to profit and loss for the Year	Presentation item in profit and loss	Related to assets/ income
Export credit insurance subsidy (出口信保補貼)	Fiscal appropriation	1,558,716.00	2,410,489.14	Other income	Related to income
R&D subsidy (研究開發費補助)	Fiscal appropriation	5,625,042.16	6,331,169.33	Other income	Related to income
Research and development funds for new drug for Class I Treatment of Necrosis Factor in Human Tumour from Human Source (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)	Fiscal appropriation	0.00	-8,000,000.00	Other income	Related to income
Recombinant Human Chorionic Gonadotropin for Injection(r-hCG)subsidy (注射用重組人絨促性素(r-hCG)補貼)	Fiscal appropriation	1,500,000.00	0.00	Other income	Related to income
Shengqi Fuzheng Injection (參芪扶正注射液)	Fiscal appropriation	1,029,987.68	0.00	Other income	Related to assets
Shengqi Fuzheng Injection (參芪扶正注射液)	Fiscal appropriation	960,523.19	0.00	Other income	Related to income
Strategic Emerging Industries (Sustained Release Microspheres) (戰略性新興產業(緩釋微球))	Fiscal appropriation	2,000,000.00	0.00	Other income	Related to assets
Zhuhai Strategic Emerging Industries Special Project (珠海市戰略性新興產業專項)	Fiscal appropriation	3,270,000.00	0.00	Other income	Related to assets
R&D and Production Transformation of Gemifloxacin Tablets (吉米沙星片的研發及生產轉化)	Fiscal appropriation	212,527.55	0.00	Other income	Related to assets
Government Subsidy for Long-acting Microspheres Major New Drug Creation (長效微球重大新藥創制政府補助)	Fiscal appropriation	1,513,600.00	1,206,390.00	Other income	Related to income
Government Subsidy for Long-acting Microspheres Major New Drug Creation (長效微球重大新藥創制政府補助)	Fiscal appropriation	752,500.00	828,374.15	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	2,741,375.06	4,910,000.04	Other income	Related to assets
R&D and industrialization of innovative Ilaprazole series (艾普拉唑系列創新藥物研發及產業化)	Fiscal appropriation	2,916,754.78	748,129.50	Other income	Related to income
Construction of Drug Conformity Evaluation Research Center Platform (藥物一致性評價研究中心平台建設)	Fiscal appropriation	159,999.96	159,999.96	Other income	Related to assets
Conformity Evaluation Research of Quality of Varieties such as Livzon Dele (麗珠得樂等品種質量一致性評價研究)	Fiscal appropriation	231,000.00	231,000.00	Other income	Related to assets
Internet Benchmarking Project for Advanced Drug Manufacturing (先進藥品製造互聯網標桿項目)	Fiscal appropriation	45,000.00	90,000.00	Other income	Related to assets
R&D and commercialisation of Recombinant Human Chorionic Gonadotropin for Injection (注射用重組人絨促性素研發及產業化)	Fiscal appropriation	62,500.00	150,000.00	Other income	Related to assets
Construction of HCG Project (HCG項目建設)	Fiscal appropriation	11,092.50	161,921.69	Other income	Related to assets
Fiscal Subsidy and Operating Subsidy (財政補貼及經營運營補貼)	Fiscal appropriation	86,853,701.65	119,079,372.24	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	9,819,068.01	10,560,089.16	Other income	Related to assets
Capital projects of innovation and entrepreneurship team funding program (創新創業團隊資助計劃資金項目)	Fiscal appropriation	2,100,000.00	2,500,000.00	Other income	Related to income

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 last year	Amount charged to profit and loss for the Year	Presentation item in profit and loss	Related to assets/income
Provincial Science and Technology Innovation Strategy Special Fund (省科技創新戰略專項資金)	Fiscal appropriation	0.00	1,500,000.00	Other income	Related to assets
Project of astragalus base (黃芪基地項目)	Fiscal appropriation	0.00	4,641,357.94	Other income	Related to assets
GAP project of astragalus (黃芪GAP項目)	Fiscal appropriation	57,600.00	0.00	Other income	Related to income
Interest Discount and Relevant Funds for Promoting Imports (進口貼息及配套資金)	Fiscal appropriation	230,965.50	0.00	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	2,817,438.06	697,650.00	Other income	Related to income
Production safety subsidy (安全生產補助)	Fiscal appropriation	0.00	62,000.00	Other income	Related to income
Technological Upgrading and Transformation Projects of Workshop for Acarbose (API of Glucosidase Inhibitor) (α -葡萄糖苷酶抑制劑類原料藥阿卡波糖生產車間工藝升級技術改造項目)	Fiscal appropriation	107,142.84	107,142.84	Other income	Related to assets
Subsidy for the Tender of Technology Upgrade Project for PVC Soft Bag Supported by Provincial Finance Departments (省財政支持技改招標項目補助金PVC軟袋)	Fiscal appropriation	194,365.80	194,365.80	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	1,213,999.92	1,213,999.92	Other income	Related to assets
Financial grant for the quality control technologies of Shenqi (參芪質量控制技術財政撥款)	Fiscal appropriation	2,823,529.44	2,823,529.44	Other income	Related to assets
Development of key technology of codonopsis industry and big health products (黨參產業關鍵技術研究及大健康產品開發項目)	Fiscal appropriation	325,731.00	0.00	Other income	Related to 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	1,102,000.08	1,102,000.08	Other income	Related to assets
Electricity Incentive Funds (用電獎勵資金)	Fiscal appropriation	326,600.00	217,903.00	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	60,000.00	504,000.00	Other income	Related to income
Small and medium enterprise market development project funds (中小企業開拓市場項目資金)	Fiscal appropriation	0.00	33,135.00	Other income	Related to income
Provision for technology transformation funds and subsequent grants (技術改造資金撥款及事後補獎)	Fiscal appropriation	4,364,563.99	335,100.00	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	2,762,846.69	3,687,744.59	Other income	Related to assets
R&D and commercialisation of Statins (降血脂他汀類藥物的研發與產業化)	Fiscal appropriation	29,999.88	29,999.88	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	46,238.52	1,239,575.06	Other income	Related to assets
Commissioner workstation (特派員工作站)	Fiscal appropriation	60,000.00	60,000.00	Other income	Related to assets
Special Fund and Encouraging funds for Energy Saving and Emission Reduction (節能減排專項資金及獎勵金)	Fiscal appropriation	663,000.00	50,000.00	Other income	Related to income
Energy-saving and emission reduction projects (節能減排項目)	Fiscal appropriation	48,000.00	12,030.04	Other income	Related to assets

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 last year	Amount charged to profit and loss for the Year	Presentation item in profit and loss	Related to assets/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	1,193,345.44	4,027,272.76	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	203,925.60	0.00	Other income	Related to assets
Set-up and research fund for postdoctoral Station (博士後建站和科研補貼)	Fiscal appropriation	2,685,142.15	500,000.00	Other income	Related to income
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 assets
Patent (Intellectual Property) Support Fund (專利(知識產權)資助資金)	Fiscal appropriation	252,200.00	2,055,068.00	Other income	Related to income
Policy fund for leading industrial enterprises loan interests (工業龍頭企業貸款貼息政策資金)	Fiscal appropriation	200,000.00	200,000.00	Other income	Related to assets
Government grant for industrial transformation (工業轉型政府扶持資金)	Fiscal appropriation	199,999.92	199,999.92	Other income	Related to assets
Reward Fund for Industry Growth and Production Expansion (工業保值增長及增產獎勵)	Fiscal appropriation	635,000.00	27,794,500.00	Other income	Related to income
New industrialization development funds (新型工業化發展資金)	Fiscal appropriation	300,000.04	300,000.04	Other income	Related to assets
Industrial revitalisation supporting funds (產業振興扶持資金)	Fiscal appropriation	1,158,000.00	1,158,000.00	Other income	Related to assets
Industrial supporting funds (產業扶持資金)	Fiscal appropriation	649,800.00	0.00	Other income	Related to income
Supporting funds for five advantageous industrial clusters and one high-tech industry (五優一新扶持資金)	Fiscal appropriation	150,000.00	150,000.00	Other income	Related to assets
Employment Assurance and Re-employment and Attraction to Graduates of Tertiary Academic Institutions Subsidy (企業穩崗及再就業和吸納高校畢業生補貼款)	Fiscal appropriation	1,266,571.21	5,760,396.73	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	1,115,532.21	-3,179,362.63	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	86,916.48	86,916.30	Other income	Related to income
Special funds for industry and informatization (工業和信息化專項資金)	Fiscal appropriation	790,400.00	0.00	Other income	Related to income
Supporting subsidy for "Talents Plan" and subsidy for talents introduction and cultivation ("人才計劃"配套補貼及引才育才補貼)	Fiscal appropriation	734,897.69	0.00	Other income	Related to income
Provincial region major project grant (省區域重大項目補助)	Fiscal appropriation	520,000.00	0.00	Other income	Related to income
Industrialization and information technology fusion target achievement incentive (兩化融合貫標獎勵)	Fiscal appropriation	500,000.00	0.00	Other income	Related to income
Bounties for import and export growth to BRICS countries (對金磚國家進出口增長獎勵金)	Fiscal appropriation	204,739.00	1,011,750.00	Other income	Related to income
Special funds for project transformation and upgrading of traditional industry (傳統產業轉型升級項目專項資金)	Fiscal appropriation	700,000.00	0.00	Other income	Related to income

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 last year	Amount charged to profit and loss for the Year	Presentation item in profit and loss	Related to assets/income
External recruitment subsidy (外出招聘補貼)	Fiscal appropriation	4,000.00	0.00	Other income	Related to income
Incentive funds for expansion of export scale (擴大出口規模獎勵基金)	Fiscal appropriation	457,800.00	389,300.00	Other income	Related to income
Subsidy for online monitoring equipment for coal-fired boilers (燃煤鍋爐在線監控設備裝置補助)	Fiscal appropriation	172,500.00	22,500.00	Other income	Related to income
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	4,784,100.00	Other income	Related to income
Green factory (綠色工廠)	Fiscal appropriation	0.00	48,333.29	Other income	Related to income
Special capital replenishment for industrial enterprise					
Restructuring (工業企業結構調整專項補資)	Fiscal appropriation	0.00	1,940,000.00	Other income	Related to income
National Key R&D Program "Network Collaborative Manufacturing and Smart Factory" Special Project (國家重點研發計劃「網絡協同製造和智能工廠」專項)	Fiscal appropriation	0.00	610,000.00	Other income	Related to income
Research on transformation of bacterial strains and fermentation process (菌種改造與發酵工藝研究)	Fiscal appropriation	0.00	480,000.00	Other income	Related to income
Network reconstruction and system optimization of actinomycete drug synthesis biological system (放線菌藥物合成生物體系的網絡重構與系統優化)	Fiscal appropriation	0.00	1,170,000.00	Other income	Related to income
Refund of unemployment insurance fees (失業保險費返還款)	Fiscal appropriation	0.00	2,067,505.76	Other income	Related to income
Subsidies for work-based training (以工代訓補貼)	Fiscal appropriation	0.00	901,700.00	Other income	Related to income
Subsidies for insurance fees (保險費用補貼)	Fiscal appropriation	0.00	478,471.45	Other income	Related to income
Subsidies and supporting funds for production of emergency materials in Xiangzhou District (香洲區應急物資生產補貼扶持資金)	Fiscal appropriation	0.00	200,000.00	Other income	Related to income
Subsidies and supporting funds for production of emergency materials in Xiangzhou District (香洲區應急物資生產補貼扶持資金)	Fiscal appropriation	0.00	1,044.25	Other income	Related to assets
Special Funds for Promoting High-quality Economic Development (促進經濟高質量發展專項資金)	Fiscal appropriation	0.00	476,266.67	Other income	Related to assets
Funds for projects of proactively expanding import in Zhuhai (珠海市主動擴大進口項目資金)	Fiscal appropriation	0.00	133,505.00	Other income	Related to income
Special funds for expenditures in respect of projects for other causes including people's livelihood for 2020 (Silver Age Project) (20年民生補助等其他事業性發展支出(銀齡專項)項目資金)	Fiscal appropriation	0.00	200,000.00	Other income	Related to income
Funds for joint R&D and industrialization of integrated platform for molecular diagnostics (集成一體化分子診斷平台的合作研發及產業化)	Fiscal appropriation	0.00	865,100.00	Other income	Related to assets
Research of high-throughput screening technology for toxic substances in aquatic products (水產品中有害物質高通量檢測技術研究)	Fiscal appropriation	0.00	80,000.00	Other income	Related to income
Others	Fiscal appropriation	0.00	199,747.05	Other income	Related to income
Others	Fiscal appropriation	81,395.56	0.00	Non-operating income	Related to income
Total		154,959,775.56	214,990,583.39		

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

62. Government grants *(continued)*

(3) Government grants adopting the netting method to offset the relevant cost

Projects with grants	Type	Amount to offset the relevant cost for previous year	Amount to offset the relevant cost for current year	Presentation item to offset the relevant cost	Related to assets/income
Loan interests	Fiscal appropriation	0.00	510,800.00	Finance expenses	Related to income

(4) Government grants refunded during the Year

Project	Amount	Reason
R&D of innovative traditional Chinese medicine Qihuo Sugar capsule for kidney for cure for diabetes and kidney disease (治療糖尿病腎病創新中藥「芪藿糖腎膠囊」的研究開發)	1,000,000.00	Termination of the project

VI. CHANGES IN THE SCOPE OF CONSOLIDATION

1. Disposal of subsidiaries

Loss of control of subsidiaries by once disposal

Name of subsidiary	Consideration for disposal of equity	Disposal ratio (%)	Mode of disposal	Time of ceased control	Recognition for the time of ceased control	Differences Between disposal consideration and the net assets held by disposal investment in the corresponding consolidated financial statements	Goodwill related to the subsidiary in the consolidated financial statements
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	15,000,000.00	30%	Sale	2020.6.1	Delivery of assets	7,958,514.22	–

Name of subsidiary	Ratio of the remaining equity at the date of ceased control	Book value of the remaining equity at the date of ceased control	Fair value of the remaining equity at the date of ceased control	Gain/loss arising from remeasurement at fair value	Recognition and assumption for fair value of the remaining equity at the date of ceased control	Profit or loss arising from transformation of other comprehensive income which is related to equity investment
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	30%	7,041,485.78	15,000,000.00	7,958,514.22	Transaction price	–

2. Others

On 3 June 2020, Zhuhai Livzon Diagnostic Reagents Inc. established Zhuhai Liheng Medical Diagnostic Products Co., Ltd. (珠海立恒醫療診斷產品有限公司) with a registered capital of RMB15 million, and is interested in 100% of its registered capital.

On 12 June 2020, Wenshan Livzon Sanqi Plantation Co., Ltd. (文山麗珠三七種植有限公司) completed deregistration at the Administration for Industry and Commerce.

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 Limited	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD50,000	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
Li An (Hong Kong) Co., Ltd. (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. (麗珠集團麗珠醫藥行銷有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Sales 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	Sales 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. (上海麗珠生物科技股份有限公司)	Subsidiary of a holding subsidiary	Limited company	Shanghai	Shanghai	Provision of services	RMB10,000,000		75	Set-up
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB128,280,000		100	Set-up
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Jiaozuo	Jiaozuo	Manufacture of medicine	RMB70,000,000		100	Set-up
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	RMB92,876,800	39.425 (Note)		Set-up
Zhuhai Qiao Biotechnology Co., Ltd. (珠海啟奧生物技術有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB16,666,667		60	Set-up

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	
Companhia de Macau Carason Limitada (澳門嘉安信有限公司)	Subsidiary of a holding subsidiary	Limited company	Macau	Macau	Sales of goods	MOP100,000		100	Set-up
Zhuhai Lihe Medical Diagnostic Product Company Limited (珠海麗禾醫療診斷產品有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB15,000,000		100	Set-up
Shanghai Lihang Biotechnology Co., Limited (上海麗航生物科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Shanghai	Shanghai	Provision of services	RMB1,000,000		100	Set-up
Suzhou Lidi Biological Technology Co., Ltd. (蘇州麗迪生物科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Suzhou	Suzhou	Technology development	RMB1,000,000		100	Set-up
Zhuhai Liheng Medical Diagnostic Products Co., Ltd. (珠海立恒醫療診斷產品有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB15,000,000		100	Set-up
Livzon Pharmaceutical Biotechnology Co., Limited (麗珠醫藥生物科技有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Provision of services	HKD10,000		100	Set-up
Zhuhai Livzon Advertising Co., Ltd. (珠海麗珠廣告有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Provision of services	RMB1,000,000	10	90	Set-up
Livzon Group Livzon Baiaomeng Biological Materials Co., Ltd. (麗珠集團麗珠-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	Provision of services	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	Provision of services	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	Provision of services	MOP100,000		100	Set-up
Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB353,486,850	60	40	Set-up
Zhuhai Livzon Pharmaceutical Equity Investment Management Co., Ltd. (珠海市麗珠醫藥股權投資管理有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Investment	RMB500,000,000	90	10	Set-up
Livzon Biologics Limited	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD50,000		55.13	Consolidation under common control
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 +USD118.64 million		100	Set-up
Zhuhai Livzon Biotechnology Co., Ltd. (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		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 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	Provision of services	RMB1,453,330,000		100	Set-up

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 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
Fuzhou City Fuxing Pharmaceutical Manufacturing Co., Ltd. (福州市福興製藥有限公司)	Subsidiary of a holding subsidiary	Limited company	Fuzhou	Fuzhou	Manufacture of medicine	RMB18,466,700	100		Set-up
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Subsidiary of a holding subsidiary	Limited company	Gutian county	Gutian county	Manufacture of medicine	RMB26,700,000	100		Consolidation not under common control
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Wholly-owned subsidiary	Limited company	Shaoguan	Shaoguan	Manufacture of medicine	RMB61,560,000	65.10	34.90	Consolidation not under common control
Datong Livzon Qiyuan Medicine Co., Ltd. (大同麗珠芪源藥材有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Hunyuan county	Hunyuan county	Crop farming	RMB4,000,000	92.50		Set-up
Longxi Livzon Shenyuan Medicine Co., Ltd. (隴西麗珠參源藥材有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Longxi county	Longxi county	Crop farming	RMB4,000,000	100		Set-up

Note: The Company is the largest shareholder of Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) ("Livzon Diagnostics"). Pursuant to Article 25 of the Articles of Association of Livzon Diagnostics, the board of directors of Livzon Diagnostics consists of nine Directors. The Company will appoint 4 directors of its board of directors, representing more than half of the 6 non-independent directors, and one of them shall be appointed as the chairman of the board of directors. Pursuant to Article 73 of the Articles of Association of Livzon Diagnostics, "ordinary resolutions made by the General Meetings must be passed by more than half of the voting rights represented by the shareholders (including proxies) present at the the shareholders' general meetings". Ordinary resolutions includes annual financial budget, final accounts and other related businesses. Through its influence over the shareholders' general meetings and the board of directors of Livzon Diagnostics, the Company has the control over Livzon Diagnostics. As such, the Company includes Livzon Diagnostics in the scope of consolidation.

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 Year	Dividends declared for distribution to minority interests during the Year	Balance of equity of minority interests at the End of the Year
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (consolidated) (上海麗珠製藥有限公司(合併))	49.00	178,666,865.30	0.00	478,064,060.26
Zhuhai Livzon Diagnostics Inc. (consolidated) (珠海麗珠試劑股份有限公司(合併))	60.575	284,905,949.59	0.00	413,605,028.58
Livzon MABPharm Inc. (consolidated) (珠海市麗珠單抗生物技術有限公司(合併))	44.87	-85,960,257.43	0.00	426,134,547.04
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (consolidated) (麗珠集團新北江製藥股份有限公司(合併))	12.86	45,470,311.00	0.00	173,326,590.51

(3) Major financial information on important non-wholly owned subsidiaries

Name of subsidiaries	Balance at the End of the Year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (consolidated) (上海麗珠製藥有限公司(合併))	1,265,878,945.72	98,796,022.53	1,364,674,968.25	383,366,210.06	3,831,335.18	387,197,545.24
Zhuhai Livzon Diagnostics Inc. (consolidated) (珠海麗珠試劑股份有限公司(合併))	850,433,015.22	275,732,106.51	1,126,165,121.73	412,842,008.53	32,846,065.87	445,688,074.40
Livzon MABPharm Inc. (consolidated) (珠海市麗珠單抗生物技術有限公司(合併))	308,633,290.22	509,830,296.19	818,463,586.41	233,632,506.04	29,433,726.98	263,066,233.02
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (consolidated) (麗珠集團新北江製藥股份有限公司(合併))	1,675,522,304.87	1,672,292,713.03	3,347,815,017.90	1,744,442,385.32	39,075,793.91	1,783,518,179.23

VII. EQUITY IN OTHER ENTITIES (continued)**1. Equity in subsidiaries** (continued)**(3) Major financial information on important non-wholly owned subsidiaries** (continued)

Continued (1):

Name of subsidiaries	Current assets	Non-current assets	Balance at the Beginning of the Year		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (consolidated) (上海麗珠製藥有限公司(合併))	774,731,006.52	108,595,874.80	883,326,881.32	266,189,620.46	3,472,724.41	269,662,344.87
Zhuhai Livzon Diagnostics Inc. (consolidated) (珠海麗珠試劑股份有限公司(合併))	492,811,648.98	252,800,087.87	745,611,736.85	542,466,311.96	12,975,100.00	555,441,411.96
Livzon MABPharm Inc. (consolidated) (珠海市麗珠單抗生物技術有限公司(合併))	135,605,025.76	412,533,581.94	548,138,607.70	49,173,511.21	2,724,830.41	51,898,341.62
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (consolidated) (麗珠集團新北江製藥股份有限公司(合併))	1,473,202,751.16	1,401,683,790.27	2,874,886,541.43	1,617,568,979.44	34,149,887.99	1,651,718,867.43

Continued (2):

Name of subsidiaries	Amount for the Year				Amount for Last Year			
	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. (consolidated) (上海麗珠製藥有限公司(合併))	1,334,829,780.23	362,523,575.95	362,523,575.95	404,848,033.38	1,155,889,086.55	308,174,250.12	308,174,250.12	364,517,872.77
Zhuhai Livzon Diagnostics Inc. (consolidated) (珠海麗珠試劑股份有限公司(合併))	1,393,471,642.62	468,663,456.99	468,334,042.82	676,257,776.76	755,378,137.63	105,063,208.70	105,180,135.46	156,390,752.09
Livzon MABPharm Inc. (consolidated) (珠海市麗珠單抗生物技術有限公司(合併))	1,052,831.57	-218,561,549.54	-218,713,412.69	-197,320,987.94	630,287.14	-210,335,770.43	-210,264,839.36	-219,078,600.29
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (consolidated) (麗珠集團新北江製藥股份有限公司(合併))	1,704,887,343.62	353,579,401.24	353,579,401.24	385,009,131.43	1,683,144,342.19	298,613,838.93	298,613,838.93	520,615,779.50

VII. EQUITY IN OTHER ENTITIES *(continued)***1. Equity in subsidiaries** *(continued)*

- (4) **Transactions that result in change of owners' equity in subsidiaries without losing control**
Nil.

2. Equity in joint ventures or associates

- (1) **Summarized financial information of other non-important joint ventures and associates**

Item	Balance at the End of the Year/ Amount for the Year	Balance at the Beginning of the Year/ Amount for Last Year
Associates:		
Total carrying amount of investments	245,115,479.10	171,498,988.56
Total amount calculated by percentage of shareholding		
Net profit	1,907,349.46	-10,686,084.85
Other comprehensive income	-40,317.61	155,384.33
Total comprehensive income	1,867,031.85	-10,530,700.52

- (2) **Explanation of major restrictions on the capacity of capital transfer from associates or joint ventures to the Company**

Nil.

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The major financial instruments of the Group include monetary funds, bills receivables, accounts receivables, 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 payables, accounts payables, other payables, short-term borrowings 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 financial management policies adopted by the Group 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 Group 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 Group 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 Group.

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)***1. Risk management objectives and policies** *(continued)***(1) Foreign exchange risk**

The Group conducts its operations primarily in China. Substantially all of the transactions are denominated and settled in Renminbi. However, the Group still has some import and export businesses regarding APIs and diagnostic reagents that are settled in U.S. dollar and Japanese Yen. The Group's businesses outside China (mainly in Hong Kong) are settled in Hong Kong dollars. In addition, the Group will have foreign currency loans according to the operating needs. In summary of the above, the Group still exposes to certain foreign exchange risks. Taking into account the foreign exchange risks acceptable to the Group, the Group adopted non-hedging foreign currency forward contracts to control foreign exchange risk. However, as to the foreign exchange risk in loans, the Group 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 Group expressed in Renminbi are stated below:

① 31 December 2020

Unit: RMB'000

Item	HKD item	USD item	Euro item	JPY item	CHF item	MOP item
Financial assets in foreign currency:						
Monetary funds	51,036.10	935,237.20	640.57	0.00	0.00	1,120.27
Financial assets held for trading	5,596.91	0.00	0.00	0.00	0.00	0.00
Accounts receivables	0.00	308,601.23	1,275.65	0.00	0.00	2,335.99
Other receivables	1,131.46	0.00	0.00	0.00	0.00	474.95
Other equity instrument investments	535,245.14	0.00	0.00	0.00	0.00	0.00
Sub-total:	593,009.61	1,243,838.43	1,916.22	0.00	0.00	3,931.21
Financial liabilities in foreign currency:						
Accounts payables	0.00	218.39	45.46	6,688.92	0.00	0.00
Other payables	204.86	7,401.12	0.00	0.00	0.00	0.00
Sub-total:	204.86	7,619.51	45.46	6,688.92	0.00	0.00

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)***1. Risk management objectives and policies** *(continued)***(1) Foreign exchange risk** *(continued)*

② 31 December 2019

Unit: RMB'000

Item	HKD item	USD item	Euro item	JPY item	CHF item	MOP item
Financial assets in foreign currency:						
Monetary funds	14,312.18	931,451.72	815.90	746.60	0.00	3,041.46
Financial assets held for trading	6,162.97	0.00	0.00	0.00	0.00	0.00
Accounts receivables	0.00	258,275.29	155.45	0.00	0.00	549.90
Other receivables	1,206.30	135.44	0.00	0.00	0.00	505.81
Other current assets	0.00	93,481.08	0.00	0.00	0.00	0.00
Other equity instrument investments	330,608.20	0.00	0.00	0.00	0.00	0.00
Sub-total:	352,289.65	1,283,343.53	971.35	746.60	0.00	4,097.17
Financial liabilities in foreign currency:						
Short-term loans	0.00	209,470.99	0.00	0.00	0.00	0.00
Accounts payables	0.00	3,869.37	44.28	11,211.44	1,563.89	0.00
Other payables	530.52	8,151.26	0.00	0.00	0.00	0.00
Sub-total:	530.52	221,491.62	44.28	11,211.44	1,563.89	0.00

As at 31 December 2020, in respect of Group'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 Group would be subject to an increase or decrease in profit of approximately RMB91,406,840 (31 December 2019: approximately RMB70,330,330).

(2) Interest rate risk

The Group's exposures to interest rate risk are mainly arising from interest-bearing liabilities such as bank loans and bonds payables. The interest rates are affected by the macro monetary policies of China, hence the Group will face the risks arising from fluctuations of interest rates in the future.

The finance department of the head office of the Group 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 Group'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 Group. 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 Group.

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 receivables 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 Group will assess the credit limit granted to customers for credit purpose. Moreover, as the customer base is large, the credit risk from accounts receivables is not concentrated. In respect of the settlement of bills receivables, 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 Group 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 receivables and other receivables are adequate to manage the credit risk.

Among the accounts receivables of the Group, the accounts receivables from the top five customers accounted for 11.34% (31 December 2019: 9.42%); among other receivables of the Group, the other receivables from the top five customers accounted for 70.12% (31 December 2019: 50.58%).

(4) Liquidity risk

Liquidity risk refers to the risk of shortage of funds that the Group may encounter in meeting its obligations of settlement by delivering cash or other financial assets.

The Group 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 financing bills) 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.

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 Group are presented below in terms of maturity:

① 31 December 2020

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Monetary funds	9,953,747,563.47	0.00	0.00	0.00	9,953,747,563.47
Financial assets held for trading	25,984,877.13	0.00	0.00	0.00	25,984,877.13
Bills receivables	1,148,944,595.17	0.00	0.00	0.00	1,148,944,595.17
Accounts receivables	1,743,148,037.38	0.00	0.00	0.00	1,743,148,037.38
Other receivables	74,284,405.28	0.00	0.00	0.00	74,284,405.28
Non-current assets due within 1 year	11,414,376.07	0.00	0.00	0.00	11,414,376.07
Long-term receivables	0.00	584,284.36	0.00	0.00	584,284.36
Sub-total :	12,957,523,854.50	584,284.36	0.00	0.00	12,958,108,138.86
Financial liabilities:					
Short-term loans	1,550,942,804.06	0.00	0.00	0.00	1,550,942,804.06
Financial liabilities held for trading	212.07	0.00	0.00	0.00	212.07
Bills payables	918,007,030.57	0.00	0.00	0.00	918,007,030.57
Accounts payables	706,786,957.67	0.00	0.00	0.00	706,786,957.67
Other payables	2,175,668,243.15	0.00	0.00	0.00	2,175,668,243.15
Non-current liabilities due within one year	8,539,077.05	0.00	0.00	0.00	8,539,077.05
Lease liabilities	0.00	6,547,338.47	3,551,686.95	0.00	10,099,025.42
Long-term loans	0.00	0.00	360,324,027.48	0.00	360,324,027.48
Sub-total :	5,359,944,324.57	6,547,338.47	363,875,714.43	0.00	5,730,367,377.47

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)***1. Risk management objectives and policies** *(continued)***(4) Liquidity risk** *(continued)*

② 31 December 2019

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Monetary funds	8,855,408,402.78	0.00	0.00	0.00	8,855,408,402.78
Financial assets held for trading	17,191,861.74	0.00	0.00	0.00	17,191,861.74
Bills receivables	952,945,194.97	0.00	0.00	0.00	952,945,194.97
Accounts receivables	1,472,438,936.26	0.00	0.00	0.00	1,472,438,936.26
Other receivables	91,848,022.04	0.00	0.00	0.00	91,848,022.04
Non-current assets due within 1 year	17,497,288.62	0.00	0.00	0.00	17,497,288.62
Other current assets	93,481,080.00	0.00	0.00	0.00	93,481,080.00
Long-term receivables	0.00	10,828,143.63	0.00	0.00	10,828,143.63
Sub-total :	11,500,810,786.41	10,828,143.63	0.00	0.00	11,511,638,930.04
Financial liabilities :					
Short-term loans	1,360,840,657.32	0.00	0.00	0.00	1,360,840,657.32
Financial liabilities held for trading	13,916.00	0.00	0.00	0.00	13,916.00
Bills payables	715,986,816.20	0.00	0.00	0.00	715,986,816.20
Accounts payables	547,102,924.99	0.00	0.00	0.00	547,102,924.99
Other payables	2,016,490,501.54	0.00	0.00	0.00	2,016,490,501.54
Sub-total :	4,640,434,816.05	0.00	0.00	0.00	4,640,434,816.05

2. Capital management

The capital management policies are made to keep the continuous operation of the Group, to enhance the return to shareholders, to benefit other related parties and to maintain the best capital structure to minimize the cost of capital.

For the maintenance or adjustment of the capital structure, the Group 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 Group monitors the capital structure with the gearing ratio (calculated by dividing total liabilities by total assets). On 31 December 2020, the Group's gearing ratio is 33.76% (31 December 2019: 31.71%).

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)***3. Transfer of financial assets****(1) Financial assets which are transferred but have not been derecognized in their entirety**

Nil.

(2) Financial assets which have been transferred and ceased to be recognized but still have involvement with the transferor

On 31 December 2020, the Group's carrying amount of bank acceptance bills undue and endorsed to suppliers for settling account payables was RMB179,210,581.73 (31 December 2019: RMB241,040,490.61); the Group had no commercial acceptance bills undue and endorsed to suppliers for settling account payables (31 December 2019: RMB0.00). On 31 December 2020, the due dates were within 1 to 8 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 Group (the "Continuing Involvement"). In the opinion of the Group, the Group had transferred substantially all risks and rewards of the bills. Accordingly, their carrying amounts and the associated account payables which had been settled would be derecognized. The maximum loss and the undiscounted cash flows from the Continuing Involvement and repurchasing was equal to their carrying amounts. In the opinion of the Group, the fair value of the Continuing Involvement was not significant.

In 2020, no gain or loss was generated by the Group on the date of transfer of the bills. The Group 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 year.

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.

IX. FAIR VALUE *(continued)***(1) Items and amounts measured at fair value**

As at 31 December 2020, 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				
1. Debt instrument investments	909,752.05	0.00	0.00	909,752.05
2. Equity instrument investments	14,351,400.72	0.00	0.00	14,351,400.72
3. Derivative financial assets	0.00	10,723,724.36	0.00	10,723,724.36
(II) Other equity instrument investments	0.00	0.00	742,974,792.15	742,974,792.15
Total assets measured at fair value on a recurring basis	15,261,152.77	10,723,724.36	742,974,792.15	768,959,669.28
(III) Financial liabilities held for trading				
1. Derivative financial liabilities	0.00	212.07	0.00	212.07
Total liabilities measured at fair value on a recurring basis	0.00	212.07	0.00	212.07
II. Non-recurring fair value measurement				
Held-for-sale assets	0.00	0.00	0.00	0.00
Total assets measured at fair value on a non-recurring basis	0.00	0.00	0.00	0.00
Total liabilities measured at fair value on a non-recurring basis	0.00	0.00	0.00	0.00

In 2020, 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 Group measures their fair value at quoted price in the active market. The Group's debt instrument investment and equity instrument investment held for trading are listed for trading on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, their fair values are determined based on the closing price on the last trading date in the Reporting Period.

For financial instruments traded without an active market, the Group measures their fair value using valuation techniques. Valuation models used are mainly cash flow discount 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 Year	Valuation techniques
Derivative financial assets	10,723,724.36	The fair value is measured at the forward exchange rates quoted by the respective matured contract
Derivative financial liabilities	212.07	The fair value is measured at the forward exchange rates quoted by the respective matured contract

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 Year	Valuation techniques
Other equity instrument investments – China Resources Bank of Zhuhai Co., Ltd.	170,772,300.00	Market method
Other equity instrument investments – GLOBAL HEALTH SCIENCE	246,837,324.35	Net assets
Other equity instrument investments – SCC VENTURE VI 2018-B,L.P.	13,823,660.49	Net assets
Other equity instrument investments – SCC VENTURE VII 2018-C,L.P.	176,752,020.58	Net assets
Other equity instrument investments – Nextech V Oncology S.C.S., SICAV-SIF	29,583,312.39	Net assets
Other equity instrument investments – Others	105,206,174.34	Cost method

X. RELATED PARTIES AND RELATED TRANSACTIONS**1. Parent company of the Company**

Name of parent company	Place of registration	Nature of business	Registered capital (RMB0'000)	Percentage of the entity's shareholding held by the parent company (%)	Percentage of the entity'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	195,278.08	23.43	23.43

Notes to the parent company of the Company:

As at 31 December 2020, the Company's parent company and its subsidiaries held a total of 418,878,625 shares in the Company, representing 44.33% 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.

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)***3. Joint ventures and associates of the Group**

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 Group during the year, or during the prior period with remaining closing balance were as follows:

Name of joint ventures or associates	Relationship with the Group
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Associate
Jiangsu Ni Ke Medical Device Co., Ltd. (江蘇尼科醫療器械有限公司)	Associate
Shenzhen City 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
DOSERNA INC	Associate
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Associate
Aetio Biotherapy, Inc.	Associate
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	Associate
Henan Province Joicare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Associate and a company controlled by the parent company
Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd. (江蘇新元素醫藥科技有限公司).	Associate

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)***4. Other related parties of the Group**

Name of related parties	Relationship with the Group
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
Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	A subsidiary of the company in which a Director of the Company is holding position
Joincare Pharmaceutical Group Industry Co., Ltd.	A company controlled by the parent company
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 is holding 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
Directors, Supervisors and other senior management personnel	Key management personnel

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)**5. Related transactions****(1) 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	For the Current Year	For the Previous Year
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Raw materials	The market price	3,938,902.64	3,177,069.88
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Raw materials	The market price	32,805,380.68	33,812,589.00
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱製藥有限公司)	Raw materials	The market price	7,812,676.13	0.00
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Finished goods	The market price	526,450.43	341,451.84
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Finished goods	The market price	0.00	1,446.37
Shenzhen Taitai Biotechnology Co., Ltd. (深圳太太生物科技有限公司)	Finished goods	The market price	0.00	26,400.00
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Finished goods	The market price	184,070.79	728,893.83
Zhuhai Medpha Biotechnology Co., Ltd. (珠海麥得發生物科技股份有限公司)	Raw materials	The market price	27,079.65	0.00
LUNGLIFE AI, INC.	Raw materials	The market price	0.00	40,287.49
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Raw materials	The market price	256,905,158.82	288,017,792.41
Purchase of goods in aggregate			302,199,719.14	326,145,930.82
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Water and power	The market price	19,844,218.67	16,347,160.93
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Test	The market price	0.00	16,000.00
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	Test	The market price	52,415.09	0.00
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	9,350,000.00	0.00
Receipt of services in aggregate			29,246,633.76	16,363,160.93

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)**5. Related transactions** (continued)**(1) 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	For the Current Year	For the Previous Year
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Finished goods	The market price	34,929,592.99	35,646,830.76
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Raw materials	The market price	695,390.81	8,747,588.89
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Finished goods	The market price	829,155.53	637,304.13
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Finished goods	The market price	143,362.83	477,876.11
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Finished goods and raw materials	The market price	0.00	1,015,965.22
Zhuhai Medpha Biotechnology Co., Ltd. (珠海麥得發生物科技股份有限公司)	Macromolecule materials	Based on negotiation	209,736.83	194,218.22
Joicare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Finished goods	The market price	625,233.98	0.00
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Finished goods	The market price	11,369.85	0.00
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	Finished goods	The market price	63,417.64	0.00
Sales of goods in aggregate			37,507,260.46	46,719,783.33
Guangdong Blue Treasure Pharmaceutical Co. Ltd. (廣東藍寶製藥有限公司)	Water, electricity and power	The market price	6,655,343.25	5,757,828.10
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	Water, electricity and power	The market price	364,967.23	0.00
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	1,337,996.41	530,136.90
Provision of services in aggregate			8,358,306.89	6,287,965.00
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Processing and testing	Based on negotiation	10,754,371.73	185,402.53
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	1,090.91
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Processing and testing	Based on negotiation	0.00	141,165.95
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Processing and testing	Based on negotiation	248,720.57	686,587.19
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Processing and testing	Based on negotiation	13,188.68	146,085.46
Provision of services in aggregate			11,016,280.98	1,160,332.04

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)***5. Related transactions** *(continued)***(2) Related party leases**

① The Company as a lessor

Name of lessee	Type of leased assets	Lease income recognized for the Current Year	Lease income recognized for the Previous Year
Health Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	Plant & buildings	91,695.36	91,486.98
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Plant & buildings	3,067,097.00	3,194,214.90
Topsino Industries Limited (天誠實業有限公司)	Plant & buildings	26,269.79	0.00
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	Plant & buildings	140,000.00	—

② The Company as a lessee

Name of lessor	Type of leased assets	Lease expenses recognized for the Current Year	Lease expenses recognized for the Previous Year
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Plant & buildings	779,581.64	779,431.52
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Plant & buildings, equipment	2,643,406.02	1,779,770.12

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)***5. Related transactions** *(continued)***(3) Related party asset transfers and debt restructuring**

Related party	Description of related party transaction	For the Current Year	For the Previous Year
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Sales of equipment	0.00	393,176.83
L&L Biopharma, Co. Ltd. (上海健信生物醫藥科技有限公司)	Acquisition of technical know-how	3,773,584.80	1,886,792.40
AbCyte Therapeutics Inc.	Acquisition of technical know-how	0.00	702,140.00
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	Sales of equipment	0.00	601,509.31
Shenzhen Taitai Gene Engineering Co., Ltd. (深圳太太基因工程有限公司)	Procurement of equipment	21,430.02	0.00
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Transfer of equity interest in Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	20,000,000.00	0.00

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 Year	Actual guaranteed amount	Guaranteed amount	Description and type of guarantee	Period of guarantee
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	2020.4.9	314.56	314.56	4,000.00	Opening letter of guarantee, short-term borrowings, joint liability guarantee	2019.10.16-2022.7.17 (Bank of China)
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	2020.4.9	2,506.73	2,506.73	10,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank)
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	2020.4.9	1,086.67	1,086.67	20,000.00	Opening bank acceptance bills, joint liability guarantee	2020.6.30-2023.2.28 (Bank of Communications)
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2020.11.17	932.89	932.89	10,000.00	Opening bank acceptance bills, joint liability guarantee	2020.3.20-2023.2.28 (Bank of Communications)
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2020.11.17	13,000.00	13,000.00	30,000.00	Short-term borrowings, joint liability guarantee	2020.7.17-2021.9.29 (China Merchants Bank)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2020.4.9	2,221.01	2,221.01	17,000.00	Opening letter of credit and bank acceptance bills, 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)	2020.4.9	1,332.62	1,332.62	18,000.00	Opening bank acceptance bills, joint liability guarantee	2020.6.11-2021.5.26 (Industrial and Commercial Bank of China)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2020.4.9	6,699.06	6,699.06	10,000.00	Opening bank acceptance bills, joint liability guarantee	2020.7.31-2021.7.31 (Minsheng Bank)

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 Year	Actual guaranteed 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)	2020.4.9	4,900.00	4,900.00	5,000.00	Short-term borrowings, joint liability guarantee	2020.4.20-2021.4.19 (Postal Savings Bank of China)
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2020.4.9	3,673.34	3,673.34	20,000.00	Opening letter of guarantee and 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)	2020.4.9	10,456.55	10,456.55	12,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank)
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2020.4.9	2,807.79	2,807.79	4,000.00	Opening bank acceptance bills, joint liability guarantee	2020.5.20-2023.2.21 (Bank of Communications)
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2020.4.9	3,803.25	3,803.25	11,000.00	Opening letter of guarantee, bank acceptance bills, joint liability guarantee	2019.7.2-2020.12.31 (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)	2020.4.9	5,807.80	5,807.80	12,000.00	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)	2020.4.9	5,848.95	5,848.95	14,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank)
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2020.4.9	1,900.00	1,900.00	10,000.00	Short-term borrowings, joint liability guarantee	2020.4.24-2021.4.24 (Bank of China)

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 Year	Actual guaranteed 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)	2020.4.9	3,991.07	3,991.07	5,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank)
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	2020.4.9	4,431.74	4,431.74	10,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank)
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2020.4.9	7,609.64	7,609.64	8,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank)
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	2020.4.9	7,395.94	7,395.94	10,000.00	Opening bank acceptance bills, joint liability guarantee	2020.7.27-2021.7.27 (Minsheng Bank)
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	2020.4.9	54.99	54.99	4,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank)
Total actual amount guaranteed for subsidiaries during the Reporting Period			172,865.00			
Total balance of actual amount guaranteed for subsidiaries at the end of the Reporting Year			90,774.63			

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. Bill pledges guaranteed

On 23 April 2018, the thirteenth meeting of the Ninth Session of the Board of Directors of the Company reviewed and approved "the Resolution on Launching the Bills Pooling Business" and agreed that a cap not exceeding RMB1.4 billion for launching the bills pooling business is to be shared by the Company and its subsidiaries. The cap may be used on revolving basis. As at 31 December 2020, the bill pledges guaranteed are as follows:

Amount denominated: RMB'0,000

		Bill pledge amount receivable	Name of guaranteed party	Description of guarantee	Guaranteed amount	Period of guarantee
The Company	China Merchants Bank (招商 銀行)	18,240.59	Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	1,200.59	Till 10 June 2021
			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	5,562.93	Till 10 June 2021
			Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成 製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	12.36	Till 21 January 2021
			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	1,880.88	Till 14 March 2021
			Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	2,764.98	Till 18 May 2021
			Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Opening bank acceptance bills, joint liability guarantee	1,855.88	Till 10 June 2021
			Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	3,489.77	Till 16 June 2021
			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	454.92	Till 14 September 2021
			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	165.60	Till 11 June 2021
Total balance of actual amount guaranteed for subsidiaries at the end of the Reporting Year					17,387.91	

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)***5. Related transactions** *(continued)***(4) Related party guarantees** *(continued)*

- ② Subsidiaries' guarantees to subsidiaries

Nil.

- ③ Guarantee provided to related parties by the Company

On 24 December 2020, the Company entered into the Guarantee Agreement at an amount of RMB29.00 million with Industrial and Commercial Bank of China Limited, Zhuhai Branch (中國工商銀行股份有限公司珠海分行), pursuant to which the Company shall provide guarantee for the loan granted to Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司) by Industrial and Commercial Bank of China Limited, Zhuhai Branch. As at 31 December 2020, the Company had no guarantee to Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司).

- ④ Guarantee provided to the Company by related parties

Joincare Pharmaceutical Industry Group Co., Ltd., 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 35.75% 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 Liying Investment Management Partnership (Limited Partnership) (珠海麗英投資管理合夥企業(有限合夥)), the other shareholder of Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司), has provided a "Letter of Undertaking for Counter Guarantee", pursuant to which it has undertaken to provide a joint liability guarantee for 9.025% of the obligation of the Company under the guarantee granted to Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) and the guarantee period of which will be expired on the expiry date of the Company's obligation thereunder.

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. and the guarantee period of which will be expired on the expiry date of the Company's obligation thereunder.

Other shareholders of Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司) including Lilin and Shi Jianfeng have provided "Letter of Undertaking for Counter Guarantee", pursuant to which they undertaken to provide a joint liability guarantee for a total of 74.0822% of the obligation of the Company under the guarantee provided to Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司) and the guarantee period of which will be expired on the expiry date of the Company's obligation under the guarantee.

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

2020

Amount denominated: RMB'0,000

	Fees of Director/ Supervisor	Salaries and allowances	Social insurance	Housing provident fund	Bonus	Signing bonus	Compensation for loss of office	Others	Total
Non-executive Directors:									
Zhu Baoguo (朱保國)	325.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	325.00
Tao Desheng (陶德勝)	300.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	300.00
Qiu Qingfeng (邱慶豐)	8.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.40
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)	8.40	110.77	3.17	1.42	268.82	0.00	0.00	0.00	392.59
Xu Guoxiang (徐國祥)	300.00	92.31	3.35	1.42	218.46	0.00	0.00	17.37	632.91
Independent Non-executive Directors:									
Xu Yanjun (徐炎軍)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
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)	10.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.80
Xie Yun (謝耘)	10.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.80
Tian Qiuqiang (田秋生)	10.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.80
Wong Kam Wa (黃錦華)	10.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.80
Supervisors:									
Wang Maolin (汪卯林)	5.70	50.77	3.46	1.42	64.44	0.00	0.00	0.00	125.79
Tang Yin (湯胤)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Huang Huamin (黃華敏)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Other senior management:									
Yang Daihong (楊代宏)	0.00	87.69	3.48	1.42	158.80	0.00	0.00	0.00	251.40
Xu Peng (徐朋)	0.00	46.45	0.00	0.00	228.08	0.00	0.00	0.00	274.53
Si Yanxia (司燕霞)	0.00	90.83	3.48	1.42	133.19	0.00	0.00	0.00	228.93
Zhou Peng (周鵬)	0.00	78.46	3.48	1.42	227.62	0.00	0.00	0.00	310.98
Huang Yuxuan (黃瑜璇)	0.00	82.15	1.96	3.12	190.03	0.00	0.00	0.30	277.56
Yang Liang (楊亮)	0.00	64.85	3.47	1.42	92.72	0.00	0.00	0.00	162.45
Dai Weiguo (戴衛國)	0.00	43.88	0.20	0.00	0.02	0.00	0.00	0.00	44.10
Total	1,015.90	748.17	26.05	13.06	1,582.19	0.00	0.00	17.67	3,403.04

Mr. Yu Xiong was appointed in June 2020; Mr. Bai Hua was appointed in June 2020; Mr. Xu Peng was appointed in April 2020; Mr. Dai Weiguo has resigned in May 2020; Mr. Xu Yanjun has retired in June 2020.

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)

2019

Amount denominated: RMB'0,000

	Fees of Director/ Supervisor	Salaries and allowances	Social insurance	Housing provident fund	Bonus	Signing bonus	Compensation for loss of office	Others	Total
Directors:									
Zhu Baoguo (朱保國)	325.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	325.00
Tao Desheng (陶德勝)	300.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	300.00
Tang Yanggang (唐陽剛)	6.60	101.54	3.05	1.27	227.66	0.00	0.00	1.50	341.62
Xu Guoxiang (徐國祥)	226.80	92.31	3.98	1.27	94.62	0.00	0.00	9.05	428.03
Fu Daotian (傅道田)	5.40	67.50	1.73	0.00	20.00	0.00	0.00	43.00	137.63
Qiu Qingfeng (邱慶豐)	7.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.20
Independent Directors:									
Xu Yanjun (徐焱軍)	9.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.60
Guo Guoqing (郭國慶)	5.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.60
Wang Xiaojun (王小軍)	7.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.20
Zheng Zhihua (鄭志華)	9.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.60
Xie Yun (謝耘)	9.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.60
Tian Qiusheng (田秋生)	2.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.40
Wong Kam Wa (黃錦華)	2.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.40
Supervisors:									
Wang Maolin (汪卯林)	4.20	50.77	4.38	1.27	63.97	0.00	0.00	0.00	124.59
Tang Yin (湯胤)	3.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.60
Huang Huamin (黃華敏)	3.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.60
Other senior management:									
Yang Daihong (楊代宏)	0.00	83.08	4.43	1.27	130.93	0.00	0.00	0.00	219.71
Si Yanxia (司燕霞)	0.00	81.23	4.42	1.27	73.00	0.00	0.00	0.00	159.92
Zhou Peng (周鵬)	0.00	70.85	4.41	1.27	249.38	0.00	0.00	0.00	325.91
Huang Yuxuan (黃瑜璇)	0.00	64.82	3.79	2.87	188.24	0.00	0.00	0.28	260.00
Dai Weiguo (戴衛國)	0.00	109.76	2.22	0.00	0.00	0.00	0.00	0.00	111.98
Yang Liang (楊亮)	0.00	55.85	4.38	1.27	57.87	0.00	0.00	0.00	119.37
Total	928.80	777.71	36.79	11.76	1,105.67	0.00	0.00	53.83	2,914.56

Mr. Dai Weiguo was appointed in April 2019; Mr. Tian Qiusheng was appointed in October 2019; Mr. Wong Kam Wa was appointed in October 2019; Mr. Guo Guoqing has retired in July 2019; Mr. Fu Daotian has resigned in September 2019; Mr. Wang Xiaojun has retired in September 2019.

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)***5. Related transactions** *(continued)***(5) Remuneration of key management personnel** *(continued)*

② Individuals with highest emoluments

For 2020, four of the five highest paid individuals were directors of the Company. One of them was an employee not being director, supervisor and senior management, with a basic salary and allowance of HK\$2.3772 million, bonus of RMB1.1671 million, contribution to mandatory provident fund of HK\$18,000; for 2019, four of the five highest paid individuals were directors of the Company and one of them was 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	2020	2019
Number of individuals within the band of \$0-\$1,000,000	—	—
Number of individuals within the band of \$1,000,001-\$1,500,000	—	—
Number of individuals within the band of \$1,500,001-\$2,000,000	—	—
Number of individuals within the band of \$2,000,001-\$2,500,000	—	—
Number of individuals within the band of \$2,500,001-\$3,000,000	—	1
Number of individuals within the band of \$3,000,001-\$3,500,000	3	3
Number of individuals within the band of \$3,500,001-\$4,000,000	1	—
Number of individuals within the band of \$4,000,001-\$4,500,000	—	1
Number of individuals within the band of \$4,500,001-\$5,000,000	—	—
Number of individuals within the band of \$5,000,001-\$5,500,000	—	—
Number of individuals within the band of \$5,500,001-\$6,000,000	—	—
Number of individuals within the band of \$6,000,001-\$6,500,000	—	—
Number of individuals within the band of \$6,500,001-\$7,000,000	1	—

③ Emoluments band of senior management

Item	2020	2019
Number of individuals within the band of \$0-\$1,000,000	1	—
Number of individuals within the band of \$1,000,001-\$1,500,000	—	3
Number of individuals within the band of \$1,500,001-\$2,000,000	1	1
Number of individuals within the band of \$2,000,001-\$2,500,000	1	1
Number of individuals within the band of \$2,500,001-\$3,000,000	3	1
Number of individuals within the band of \$3,000,001-\$3,500,000	1	2
Number of individuals within the band of \$3,500,001-\$4,000,000	1	—
Number of individuals within the band of \$4,000,001-\$4,500,000	—	1
Number of individuals within the band of \$4,500,001-\$5,000,000	—	—
Number of individuals within the band of \$5,000,001-\$5,500,000	—	—
Number of individuals within the band of \$5,500,001-\$6,000,000	—	—
Number of individuals within the band of \$6,000,001-\$6,500,000	—	—
Number of individuals within the band of \$6,500,001-\$7,000,000	1	—

During the years 2020 and 2019, no emolument was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group ; or as compensation for loss of office. None of the directors or supervisors waived any remuneration.

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)**5. Related transactions** (continued)**(6) Other affiliated transactions**

On 30 November 2020, Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) ("Xinbeijiang Pharmaceutical", being a subsidiary of the Company) and Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司) ("Jiaozuo Joincare"), being a wholly-owned subsidiary of our controlling shareholder Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司) ("Joincare Group"), entered into the Joint Investment Agreement in relation to the establishment of 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) between Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司) and Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司), pursuant to which Xinbeijiang Pharmaceutical and Jiaozuo Joincare intended to establish 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), a joint venture company (the "Joint Venture"), by way of investment in cash. The registered capital of the Joint Venture shall be RMB100.00 million, of which the capital amount of RMB49.00 million shall be contributed by Xinbeijiang Pharmaceutical, representing 49%, and the capital amount of RMB51.00 million shall be contributed by Jiaozuo Joincare, representing 51%.

6. Amounts due from/to related parties**(1) Amounts due from related parties**

Item	Related parties	Balance at the End of the Year		Balance at the Beginning of the Year	
		Gross amount	Provision for bad debts	Gross amount	Provision for bad debts
Bills receivables	Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	0.00	0.00	600,000.00	0.00
Bills receivables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	2,973,474.10	0.00	0.00	0.00
Sub-total of bills receivables		2,973,474.10	0.00	600,000.00	0.00
Accounts receivables	Guangdong Blue Treasure Pharmaceutical Co. Ltd. (廣東藍寶製藥有限公司)	5,092,960.00	52,457.49	14,005,640.00	141,456.96
Accounts receivables	Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	38,563.14	374.06	0.00	0.00
Accounts receivables	Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	74,381.43	721.50	146,240.48	1,447.78
Accounts receivables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	0.00	0.00	337,130.00	16,777.70
Accounts receivables	Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	162,000.00	1,603.80	415,862.33	58,098.72
Accounts receivables	Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	0.00	0.00	75,644.81	764.01
Sub-total of accounts receivables		5,367,904.57	55,156.85	14,980,517.62	218,545.17

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

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)**6. Amounts due from/to related parties** (continued)**(1) Amounts due from related parties** (continued)

Item	Related parties	Balance at the End of the Year		Balance at the Beginning of the Year	
		Gross amount	Provision for bad debts	Gross amount	Provision for bad debts
Prepayments	Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	0.00	0.00	126,840.00	0.00
Prepayments	Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	153,900.00	0.00	0.00	0.00
Prepayments	Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	211,200.00	0.00	0.00	0.00
Sub-total of prepayments		365,100.00	0.00	126,840.00	0.00
Other receivables	Guangdong Blue Treasure Pharmaceutical Co. Ltd. (廣東藍寶製藥有限公司)	0.00	0.00	984,818.54	13,590.50
Other receivables	Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	15,000,000.00	415,461.96	25,076.38	253.27
Other receivables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	6,378,965.95	63,789.66	124,161.94	4,134.59
Other receivables	Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	10,530.00	291.65	0.00	0.00
Sub-total of other receivables		21,389,495.95	479,543.27	1,134,056.86	17,978.36
Non-current assets due within one year	Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥))	10,967,767.26	0.00	10,486,396.62	0.00
Non-current assets due within one year	Zhuhai Liying Investment Management Partnership (Limited Partnership) (珠海麗英投資管理合夥企業(有限合夥))	0.00	0.00	7,010,892.00	0.00
Sub-total of non-current assets due within one year		10,967,767.26	0.00	17,497,288.62	0.00
Long-term receivables	Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥))	0.00	0.00	10,828,143.63	0.00
Sub-total of long-term receivables		0.00	0.00	10,828,143.63	0.00
Other non-current assets	AbCye Therapeutics Inc.	0.00	0.00	14,287,940.00	0.00
Other non-current assets	Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	0.00	0.00	1,564,630.06	0.00
Other non-current assets	L&L Biopharma, Co. Ltd. (上海健信生物醫藥科技有限公司)	1,740,994.29	0.00	0.00	0.00
Sub-total of other non-current assets		1,740,994.29	0.00	15,852,570.06	0.00

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 Year	Balance at the Beginning of the Year
Bills payables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	75,501,682.49	99,379,985.40
Bills payables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	12,059,563.40	19,067,180.00
Bills payables	Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	40,000.00	0.00
Sub-total of bills payables		87,601,245.89	118,447,165.40
Payables	Guangdong Blue Treasure Pharmaceutical Co. Ltd. (廣東藍寶製藥有限公司)	0.00	108,560.00
Payables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	0.00	7,214,020.00
Payables	Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	8,788,324.00	0.00
Payables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	89,011,757.84	103,335,544.53
Payables	Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	0.00	920,007.97
Sub-total of payables		97,800,081.84	111,578,132.50
Dividends payable	Zhuhai Zhenghe Co., Ltd. (珠海正禾企業有限公司)	0.00	81,760,934.22
Dividends payable	Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥))	1,466,606.04	1,466,606.04
Sub-total of dividends payable		1,466,606.04	83,227,540.26
Other payables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	5,695,618.89	7,106,655.80

XI. SHARE-BASED PAYMENT

1. General information about share-based payment

Total equity instruments granted during the Current Period by the Company (Share)	1,000,000
Total equity instruments exercised during the Current Period by the Company (Share)	10,072,721
Total equity instruments of the Company expired during the Current 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 of Livzon Pharmaceutical Group Inc.” 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 of the Company, 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 Option Incentive Plan”, pursuant to which 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 Option Incentive Plan”, pursuant to which 162,912 share options that were unexercised in the first exercise period and held by 55 incentive participants and 1,535,765 share options that cannot be exercised and have been granted to 129 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 1,033 to 904, while the number of share options under the first grant was adjusted from 22,463,155 to 20,764,478, with 8,822,350 of them exercised and 11,942,128 of them unexercised.

XI. SHARE-BASED PAYMENT *(continued)***1. General information about share-based payment** *(continued)*

Note 1: Share Option *(continued)*

The exercise periods for the granted Share Options and schedule for each exercise period are as follows:

Exercise arrangement	Duration	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%

Performance target at the Company level: An individual granted with Share Options under the Incentive Scheme will be assessed annually and the exercising of Share Options shall be conducted annually for the three accounting years during the Exercise period, subject to the incentive participant achieving the performance target as the condition of the exercising of the Share Options. For the Share Options granted under the First Grant, the target of performance assessment are as follows:

Exercise period	Target of performance assessment
First Exercise period	Based on the net profit of 2017, the compound growth rate of net profit for 2018 is no less than 15%;
Second Exercise period	Based on the net profit of 2017, the compound growth rate of net profit for 2019 is no less than 15%;
Third Exercise period	Based on the net profit of 2017, the compound growth rate of net profit for 2020 is no less than 15%.

The aforesaid “net profit” and “compound growth rate of net profit” are calculated based on the net profit attributable to the shareholders of the listed company (net of non-recurring profit or loss), and excluding the net profit affected by the expenses incurred on the share-based payment under the Share Option Incentive Scheme. If the Company could not meet the above performance target, the Share Options of all incentive participants exercisable in the current year shall not be exercised and shall be cancelled by the Company.

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

Appraisal results	Excellent	Good	Qualified	Fail
Exercise percentage	100%		80.00%	0.00%

If the performance target at the Company level for a year is attained, the actual personal exercise amount of an incentive participant for the year = exercise percentage × the scheduled personal exercise amount of the incentive participant for the year. If an incentive participant fails the assessment for a year, the Company shall cancel the Share Options concerned granted to the incentive participant which cannot be exercised any more.

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", pursuant to which 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", pursuant to which the number of incentive participants under the reserved grant of the share option incentive plan 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 Option Incentive Plan", pursuant to which 309,900 share options that cannot be exercised and have been granted to 10 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 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, with 1,250,371 of them exercised and 964,229 of them unexercised.

The exercise periods for the granted Share Options and schedule for each exercise period are as follows:

Exercise arrangement	Duration	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%

Performance target at the Company level: An individual granted with Share Options under the Scheme will be assessed annually and the exercising of Share Options shall be conducted annually for the two accounting years during the exercise period, subject to the incentive participant achieving the performance target as the condition of the exercising of the Share Options. For the Share Options granted under the Reserved Grant, the target of performance assessment are as follows:

Exercise period	Target of performance assessment
First exercise period	Based on the net profit of 2017, the compound growth rate of net profit for 2019 is no less than 15%;
Second exercise period	Based on the net profit of 2017, the compound growth rate of net profit for 2020 is no less than 15%.

XI. SHARE-BASED PAYMENT *(continued)***1. General information about share-based payment** *(continued)*

Note 1: Share Option (continued)

The aforesaid “net profit” and “compound growth rate of net profit” are calculated based on the net profit attributable to the shareholders of the listed company (net of non-recurring profit or loss), and excluding the net profit affected by the expenses incurred on the share-based payment under the Scheme. If the Company could not meet the above performance target, the Share Options of all incentive participants exercisable in the current year shall not be exercised and shall be cancelled by the Company.

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

Appraisal results	Excellent	Good	Qualified	Fail
Exercise percentage	100%		80.00%	0.00%

If the performance target at the Company level for a year is attained, the actual personal exercise amount of an incentive participant for the year = exercise percentage × the scheduled personal exercise amount of the incentive participant for the year. If an incentive participant fails the assessment for a year, the Company shall cancel the Share Options concerned granted to the incentive participant which cannot be exercised any more.

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(有限合伙)) 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. with 30 June 2019 was RMB647.3075 million, and above equity transfer price was lower than its fair value, therefore it constitutes a share-based payment. The total share-based payment of the transaction is RMB40.4017 million, which should be amortized within 5 years according to the partnership agreement.

On 8 November 2019, the resolution on the Implementation of Employee Equity Incentive Scheme by a Holding Subsidiary was considered and approved at the 34th Meeting of the Ninth Session of the Board, pursuant to which, the total number of shares of new issuance by Zhuhai Livzon Diagnostics Inc. for implementation of employee equity incentive scheme shall not be more than 4,643,839 shares, and the scheme participants shall contribute a total of RMB11,702,474.28 to directly subscribe for the above shares and/or indirectly subscribe for the such shares through the holding of the limited partnership shares of the employee shareholding platform. In December 2019, pursuant to the Capital Increase Agreement of Zhuhai Livzon Diagnostics Inc., 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(有限合伙)), Zhuhai Yichen Enterprise Management Consulting Partnership (Limited Partnership) (珠海熠臣企業管理諮詢合夥企業(有限合伙)) and Zhuhai Qijing Enterprise Management Consulting Partnership (Limited Partnership) (珠海啟靖企業管理諮詢合夥企業(有限合伙)) 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 cost was recognised as a result of changes in the shares of the shareholders of Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司).

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 of the Current Period and Last Period	Nil
Accumulated amount of equity settled share-based payments included in capital reserve	122,353,576.50
Total expense recognised for equity settled share-based payments for the Current Period	31,439,049.54

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 Year	Balance at the Beginning of the Year
Commitments in relation to acquisition of long-term assets	621,715,798.13	165,369,398.32

(2) Operating lease commitments

As at the balance sheet date, the Group signed the non-cancellable operating leases as follows:

Minimum lease payments under non-cancellable operating leases payable	Balance at the End of the Year
Within one year from the balance sheet date	8,539,077.05
In the second year from the balance sheet date	6,547,338.47
In the third year from the balance sheet date	3,157,740.20
Subsequent years	2,173,793.26
Total	20,417,948.98

(3) Other commitments

Nil.

(4) Performance of previous commitments

The Group has duly performed the capital expenditure commitments and the operating lease commitments as at 31 December 2019 and the other commitments.

2. Contingencies

As of 31 December 2020, there were no significant contingencies required to be disclosed by the Group.

XIII. POST BALANCE SHEET DATE EVENTS

1. Profit distribution

On 22 March 2021, the Company held the 14th meeting of the tenth session of the Board of the Company and passed the resolution of 2020 annual profit distribution plan. 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 above mentioned profit distribution plan shall be submitted to the annual general meeting of 2020 of the Company for consideration and approval.

2. Cancellation of shares repurchased and exercise of share options

On 4 January 2021, the Company made an application for cancellation of 6,093,808 A shares repurchased. As at 29 January 2021, the registration of cancellation has been completed. As of 22 March 2021, shares option involving 10,426,637 shares were exercised by the incentive participants and the share capital of the Company was changed to 939,095,504 shares.

3. Repurchase of H shares

On 30 November 2020, the Resolution on granting a general mandate to the Board to repurchase H Shares of the Company had been considered and approved at the sixth meeting of the tenth session of the Board of the Company, pursuant to which the Company may repurchase its own shares on The Stock Exchange of Hong Kong Limited in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the relevant laws and regulations. The repurchase will be carried out in various batches, and the repurchase price shall not be higher by 5% than the average closing price of the five trading days prior to each actual repurchase and shall not exceed 31,986,421 shares. The shares repurchased shall be cancelled and the registered capital of the Company shall decrease accordingly.

At the 2020 sixth extraordinary general meeting, the 2020 third class meeting of A shareholders and the 2020 third class meeting of H shareholders held on 23 December 2020, the proposed resolution on granting a general mandate to the Board to repurchase H Shares of the Company was considered and approved.

As of 22 March 2021, the Company has repurchased 6,628,600 H shares in aggregate and the total amount of funds used for the repurchase was HK\$199,632,345.00 (excluding transaction costs).

As of 22 March 2021, the Group has no other events that needed to be disclosed after the balance sheet date.

XIV. OTHER SIGNIFICANT MATTERS

1. Adjustment to the use of proceeds from Fund-Raising Investment Projects

(1) On 25 May 2020, 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 had been considered and approved at the Annual General Meeting for the Year 2019, with details as follows:

- ① 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) and adjustment to the investment plan and Utilisation of Part of Proceeds for Permanent Replenishment of Working Capital

The planned investment amount of the Project for in-depth development and industrialization upgrade of innovative Ilaprazole series is RMB450.0000 million. The investment principally include the in-depth development and industrialisation upgrade of Ilaprazole Tablet (艾普拉唑片), Ilaprazole Sodium for Injection (注射用艾普拉唑鈉), Ilaprazole Optical Isomer Preparation (艾普拉唑光學異構體製劑) and Ilaprazole Compound Preparation (艾普拉唑復方製劑). As at 31 December 2019, the Proceeds used for investment in the Project were RMB87.3482 million. The specific adjustment is as follows:

- A. The Company will continue to invest the Proceeds of RMB105.6790 million in “Ilaprazole Tablet” and “Ilaprazole Sodium for Injection”. After the adjustment, part of the remaining Proceeds of the two projects of RMB102.6000 million will be used in the new sub-project “Construction of the chemical drug lyophilized powder injection workshop (化藥凍乾粉針車間建設)”.
- B. Termination of the sub-projects “Ilaprazole Optical Isomer Preparation” and “Ilaprazole Compound Preparation”. In order to enhance the utilisation efficiency of the Proceeds, the remaining Proceeds of RMB154.3728 million will be used for the permanent replenishment of working capital.

After completion of the above alteration and adjustment, the investment amount of Proceeds to be used in the Project for in-depth development and industrialisation 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) will be RMB208.2790 million. The specific implementation progress and the investment plan are set out in the following table:

		Unit: RMB'0,000				
Project name	Construction project	2020	2021	2022	2023	2024
Ilaprazole Tablet	R&D equipment	400.00	400.00	200.00	200.00	200.00
	Industrialisation development and technology transformation	200.00	200.00	100.00	100.00	100.00
	Post-marketing clinical trial	700.00	400.00	400.00	500.00	500.00
Ilaprazole Sodium for Injection	R&D equipment	200.00	200.00	200.00	200.00	200.00
	Industrialisation development and technology transformation	200.00	100.00	100.00	100.00	167.90
	Post-marketing clinical trial	900.00	700.00	900.00	900.00	900.00
Construction of the chemical drug lyophilized powder injection workshop		7,592.40	2,667.60	–	–	–
Total		10,192.40	4,667.60	1,900.00	2,000.00	2,067.90

XIV. OTHER SIGNIFICANT MATTERS (continued)**1. Adjustment to the use of proceeds from Fund-Raising Investment Projects** (continued)

(1) On 25 May 2020, 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 had been considered and approved at the Annual General Meeting for the Year 2019, with details as follows: (continued)

② Alteration to the sub-projects under the Construction project for research & development platform for prolonged-action microsphere technologies (長效微球技術研發平台建設項目) and adjustment to the investment plan

The planned investment amount of the Construction project for research & development platform for prolonged-action microsphere technologies is RMB411.4133 million. The principal investment and construction of the project include pre-clinical research, clinical trials, purchase of devices and equipment and construction of microsphere workshops. As at 31 December 2019, the proceeds used for investment in the Prolonged-action Microsphere Project was RMB204.3130 million. The specific adjustment is as follows:

- A. The project "Aripiprazole Sustained-release Microspheres for Injection (14 days) (注射用阿立哌唑緩釋微球(14天))" will be renamed as "Aripiprazole Sustained-release Microspheres for Injection (注射用阿立哌唑緩釋微球)" with an investment amount of RMB27.30 million remained unchanged;
- B. 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))" will be altered to "Goserelin Acetate Sustained-release Implant (醋酸戈舍瑞林緩釋植入劑)" with an investment amount of RMB30.00 million remained unchanged;
- C. Termination of 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))", the construction of all of which have not yet commenced. The originally planned Proceeds of RMB64.00 million to be invested in the three sub-projects will be used for the investment in the construction of the new sub-project "Construction of sustained-release implants workshop (緩釋植入劑車間建設)".

The alteration and adjustment of sub-projects under the Prolonged-action Microsphere Project will not affect the overall implementation of the project. The total investment of the Proceeds to be used will remain RMB411.4133 million. The comparison table before and after the alteration of the projects invested with the Proceeds is as follows:

Unit: RMB'0,000

Project	Preclinical research fees	Devices and equipment	Clinical trial	Construction of microsphere workshop	Construction of implant workshop	Funding and reserve fees	Total
Before alteration	12,491.42	2,018.00	6,200.00	19,431.91	–	1,000.00	41,141.33
After alteration	6,991.42	2,018.00	5,300.00	19,431.91	6,400.00	1,000.00	41,141.33

XIV. OTHER SIGNIFICANT MATTERS *(continued)***1. Adjustment to the use of proceeds from Fund-Raising Investment Projects** *(continued)*

- (2) On 25 August 2020, the Resolution on Alteration to the entities in charge of implementation of Certain Projects Invested with Proceeds and Capital Increase to a wholly-owned subsidiary was considered and approved by the third meeting of the tenth session of the Board of the Company, pursuant to which the Company shall inject the productive assets and capital for the Prolonged-action Microsphere Preparation into Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司) ("Livzon Microsphere"), a wholly-owned subsidiary of the Company through capital increase. The Company will use its own fund to make a capital increase of RMB208.79211 million in cash to Livzon Microsphere and Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠) will use its productive assets for microsphere preparation (including its fixed assets acquired with the proceeds) to make a capital increase to Livzon Microsphere at an amount of RMB139.19474 million, which is assessed by a qualified valuer. The two parties will make capital increase of RMB347.98685 million to Livzon Microsphere. The entity in charge of implementation 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) was renamed to the Company and Livzon Microsphere from the Company and Livzon Group Livzon Pharmaceutical Factory. There shall be no substantial change to the amount of investment, the implementation site and the principal construction of the Project.
- (3) On 11 December 2020, the resolution on the adjustment to the implementation site and investment plan of a sub-project under certain project invested with proceeds was considered and approved at the 2020 fifth extraordinary general meeting of the Company, pursuant to which the implementation site for "Construction of the chemical drug lyophilized powder injection workshop (化藥凍乾粉針車間建設)", the sub-project under the Project for in-depth development and industrialisation 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) shall be changed to 1st floor, P06 building, Livzon Industrial Park, 38 Chuangye North Road, Jinwan District, Zhuhai City from 1st floor, P09 building, Livzon Industrial Park, 38 Chuangye North Road, Jinwan District, Zhuhai City. The construction period shall remain two years, and, however, be extended accordingly as a result of the adjustment to the construction site, which is expected to reach the conditions for use no later than 31 December 2022. The production facilities acquired with the Proceeds shall be maintained at the existing construction site for other projects of the Company. To ensure the use of the Proceeds for the designated purpose, the Company will apply its own fund in replacement of the Proceeds of RMB7.4793 million used for cleaning and decorating the workshop and purchasing equipment.

2. Leases

The Company had adopted a simplified approach for short-term leases and leases of low value assets and did not recognized 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	For the Year
Short-term leases	2,389,296.25
Leases of low value assets	0.00
Total	2,389,296.25

As at the date of the balance sheet, other than the matters mentioned above, the Group has no other significant events that need to be disclosed.

XIV. OTHER SIGNIFICANT MATTERS *(continued)***3. Medium to Long-term Business Partner Share Ownership Scheme**

The resolution on Medium to Long-term Business Partner Share Ownership Scheme (Revised Draft) of the Company and its summary was passed at the 2020 fifth extraordinary general meeting held on 11 December 2020, pursuant to which amendments were made to the Medium to Long-term Business Partner Share Ownership Scheme.

- (1) The Ownership Scheme shall be implemented in multiple phases. Within the ten years from 2020 to 2029, the multiple independently existing phases of the Ownership Scheme shall be implemented on a reasonable basis and, in principle, once a year, after determining whether the Special Fund of the Ownership Scheme (the "Special Fund") for the previous year shall be extracted or not, be determined by the Board to decide whether to implement or not. The duration of the Respective Phases 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 each phase to the account in the name of the Ownership Scheme for the current phase.
- (2) Target participants of the Ownership Scheme are the core management personnel of the Company (including its subsidiaries) who play an important role in the overall performance and medium to long-term development of the Company. Target participants for the respective phases of the Ownership Scheme shall be drawn up by the Board according to the staff's contributions to the Company's performance, degree of changes and appraisal results for each assessment year, and shall be reviewed and determined by the general meeting.
- (3) Sources of funds and shares for the Ownership Scheme: Funds for the Ownership Scheme may come from the special fund set aside by the Company, employees' legal compensation, employees' self-raised funds and other means permitted by the laws and regulations. Sources of shares in the Ownership Scheme are: 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), repurchases of treasury shares by the Company, and participation in the subscription for the Company's non-public issuance of shares. Where the underlying shares are purchased through the secondary market, it shall be completed within six months after the respective phases of the Ownership Scheme are considered and approved by the general meeting.
- (4) The highest organ of authority responsible for the internal management of the respective phases under the Ownership Scheme shall be the holders' meeting. The holders' meeting of the respective phases of the Ownership Scheme shall elect a management committee, which shall perform the daily management of the Ownership Scheme in accordance with the provisions of the Scheme and shall exercise shareholder rights or authorise management agencies to exercise shareholder rights on behalf of the Holders.

XIV. OTHER SIGNIFICANT MATTERS *(continued)***3. Medium to Long-term Business Partner Share Ownership Scheme** *(continued)*

(5) The special fund shall be set aside in accordance to the following principles:

- ① The special fund shall be set aside with net profit attributable to the Shareholders of the Company after deducting the extraordinary gains or loss 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 funds with a compound growth rate of over 15%
$X \leq 15\%$	0%
$15\% < X \leq 20\%$	25%
$20\% < X$	35%

The above "compound growth rate of net profit" indicator is calculated based on the audited net profit attributable to the Shareholders of the Company after deducting the extraordinary gains or loss, excluding the impact of the amount of special fund being set aside for the Ownership Scheme

- ② 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 loss 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 loss.
- ③ If the audited net profit attributable to the shareholders of the Company after deducting the extraordinary gains or loss in the current year decreases by 5% year-on-year comparing to that in the previous year due to the accrual of the special fund, no special fund shall be set aside for the year.

The special fund serves as the source of funds for the respective phases that will be subsequently established under the Ownership Scheme. The personnel and administration headquarters, the secretary to the Board and other departments shall be responsible for the pre-allocation of the aforementioned special fund among the participants according to the participants' contributions to the Company's performance, degree of changes and appraisal results for each assessment year and implement the Ownership Scheme upon submission to the Board and general meeting for review.

The Company shall measure and account for the Special Fund extracted in accordance with relevant provisions and include them in expenses for the current term.

- (6) The aggregate number of shares to be held in the respective phases of the Ownership Scheme that will be established and continued in the Ownership Scheme shall not exceed 10% of the total share capital of the Company, and the aggregate number of shares corresponding to the share of the Ownership Scheme (including all respective phases) to be held by a single employee shall not exceed 1% of the total share capital of the Company. The aggregate number of the underlying shares shall not include shares obtained by the holders prior to the initial public offering of shares by the Company, shares purchased through the secondary market and shares obtained through equity incentives.

XV. NET CURRENT ASSETS AND TOTAL ASSETS LESS CURRENT LIABILITIES**1. Net current assets**

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Current assets	14,627,356,983.21	12,873,202,408.62
Less: Current liabilities	6,082,888,945.39	5,293,657,403.71
Net current assets	8,544,468,037.82	7,579,545,004.91

2. Total assets less current liabilities

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Total assets	20,590,815,791.72	17,976,463,117.21
Less: Current liabilities	6,082,888,945.39	5,293,657,403.71
Total assets less current liabilities	14,507,926,846.33	12,682,805,713.50

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY**1. Bills receivables**

Type of bill	Balance at the End of the Year			Balance at the Beginning of the Year		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Bank acceptance bills	688,865,493.33	481,000.00	688,384,493.33	569,150,368.41	0.00	569,150,368.41

(1) Bills receivables that were pledged at the End of the Year

Item	Pledged amount at the End of the Year
Bank acceptance bills	182,405,851.25

As at 31 December 2020, bills with carrying amount of RMB182,405,851.25 (31 December 2019: RMB208,410,681.31) were pledged for bank acceptance bills.

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)***1. Bills receivables** *(continued)***(2) Bills receivable endorsed or discounted at the End of the Year but not yet mature at the date of balance sheet**

Item	Amount derecognized at the End of the Year	Amount not derecognized at the End of the Year
Bank acceptance bills endorsed but not yet mature	60,305,069.47	0.00
Bank acceptance bills discounted but not yet mature	0.00	0.00
Total	60,305,069.47	0.00

For the Year, the bank acceptance bills issued by the Group to banks amounted to RMB100,000.00 (the last year: RMB0.00). As the main risks such as interest risks and returns related to these bank acceptance bills were transferred to the bank, the Group derecognised the undue bank acceptance bills that had been discounted. The discounted fee amounted to RMB1,235.00 (the last year: RMB0.00).

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

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

1. Bills receivables (continued)

(4) Classification by the method of bad debt provision

Type	Balance at the End of the Year					Balance at the Beginning of the Year				
	Book balance		Provision for bad debt			Book balance		Provision for bad debt		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying amount	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying amount
Provision for bad debt on individual basis	481,000.00	0.07	481,000.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00
In which:										
Bank acceptance bills	481,000.00	0.07	481,000.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00
Provision for bad debt on collective basis	688,384,493.33	99.93	0.00	0.00	688,384,493.33	569,150,368.41	100.00	0.00	0.00	569,150,368.41
In which:										
Bank acceptance bills	688,384,493.33	99.93	0.00	0.00	688,384,493.33	569,150,368.41	100.00	0.00	0.00	569,150,368.41
Total	688,865,493.33	100.00	481,000.00	0.07	688,384,493.33	569,150,368.41	100.00	0.00	0.00	569,150,368.41

Provision for bad debt on individual basis:

Description	Balance at the End of the Year				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	0.00	0.00	0.00	
Other customers	50,000.00	50,000.00	100.00	Not expected to be recoverable	0.00	0.00	0.00	
Total	481,000.00	481,000.00	100.00	/	0.00	0.00	0.00	

(5) Provisions for bad debts made, recovered and reversed during the Year

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

(6) There is no bills receivables actually written-off for the Year.

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 Year	Balance at the Beginning of the Year
Within 1 year		
In which: Within 3 months (including 3 months)	821,509,376.18	596,856,891.36
4-6 months (including 6 months)	40,946,588.98	44,700,183.60
7-12 months (including 12 months)	3,451,146.54	16,135,445.33
Sub-total within 1 year:	865,907,111.70	657,692,520.29
1-2 years (including 2 years)	1,185,606.19	5,523,228.05
2-3 years (including 3 years)	1,949,625.00	1,792,998.15
Over 3 years	5,254,072.90	4,338,888.23
Sub-total	874,296,415.79	669,347,634.72
Less: Provisions for bad debts	17,271,606.54	16,743,531.90
Total	857,024,809.25	652,604,102.82

(2) Disclosure according to the method of provisions for bad debts

Type	Balance at the End of the Year					Balance at the Beginning of the Year				
	Gross amount		Provisions for bad debts			Gross amount		Provisions for bad debts		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying amount	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying amount
Provisions for bad debts on an individual basis	0.00	0.00	0.00	0.00	0.00	3,835,417.28	0.57	3,835,417.28	100.00	0.00
In which:										
Due from domestic customers	0.00	0.00	0.00	0.00	0.00	3,835,417.28	0.57	3,835,417.28	100.00	0.00
Provisions for bad debts on a portfolio basis	874,296,415.79	100.00	17,271,606.54	1.98	857,024,809.25	665,512,217.44	99.43	12,908,114.62	1.94	652,604,102.82
In which:										
Due from domestic customers	874,296,415.79	100.00	17,271,606.54	1.98	857,024,809.25	665,512,217.44	99.43	12,908,114.62	1.94	652,604,102.82
Total	874,296,415.79	100.00	17,271,606.54	1.98	857,024,809.25	669,347,634.72	100.00	16,743,531.90	2.50	652,604,102.82

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

2. Accounts receivables (continued)

(2) Disclosure according to the method of provisions for bad debts (continued)

Provisions for bad debts on an individual basis:

Name	Balance at the End of the Year				Balance at the Beginning of the Year			
	Gross amount	Provisions for bad debts	Expected credit loss rate (%)	Reason for provision made	Gross amount	Provisions for bad debts	Expected credit loss rate (%)	Reason for provision made
Guangxi Pharmaceutical Limited Liability Company (廣西醫藥有限公司)	0.00	0.00	0.00		591,742.00	591,742.00	100.00	Not expected to be recoverable
Other domestic customers	0.00	0.00	0.00		3,243,675.28	3,243,675.28	100.00	Not expected to be recoverable
Total	0.00	0.00	0.00	/	3,835,417.28	3,835,417.28	100.00	

Provisions for bad debts on a portfolio basis:

Item on a portfolio basis: Due from domestic customers

	Balance at the End of the Year			Balance at the Beginning of the Year		
	Accounts receivables	Provisions for bad debts	Expected credit loss rate (%)	Accounts receivables	Provisions for bad debts	Expected credit loss rate (%)
Within 3 months (including 3 months)	821,509,376.18	7,968,640.96	0.97	596,856,891.36	6,227,408.27	1.04
4 – 6 months (including 6 months)	40,946,588.98	2,026,856.15	4.95	44,700,183.60	2,192,018.88	4.90
7 – 12 months (including 12 months)	3,451,146.54	482,470.29	13.98	16,135,445.33	1,616,178.46	10.02
1 – 2 years	1,185,606.19	270,555.33	22.82	5,523,228.05	1,105,515.40	20.02
2 – 3 years	1,949,625.00	1,269,010.91	65.09	1,733,949.15	1,204,473.66	69.46
Over 3 years	5,254,072.90	5,254,072.90	100.00	562,519.95	562,519.95	100.00
Total	874,296,415.79	17,271,606.54	1.98	665,512,217.44	12,908,114.62	1.94

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)***2. Accounts receivables** *(continued)***(3) Provisions for bad debts made, recovered and reversed during the Year**

	Amount of provision for bad debts
Balance at the Beginning of the Year	16,743,531.90
Provisions made for the Year	528,074.64
Recoveries or reversals during the Year	0.00
Write-off for the Year	0.00
Balance at the End of the Year	<u>17,271,606.54</u>

As at 31 December 2020 and 31 December 2019, the Group had no accounts receivables that are past due but not impaired.

(4) The Company had no actual write-off of receivables for the Year**(5) Top five balances of accounts receivables by debtors at the End of the Year**

The total amount of the top five balances of accounts receivables by debtors at the End of the Year was RMB126,372,346.31, representing 14.45% of the total balance of accounts receivables at the End of the Year, and the corresponding aggregate amount of the balances of provision for bad debt at the End of the Year was RMB1,333,633.01.

(6) There is no derecognised accounts receivables in the Group due to the transfer of financial assets.**(7) There is no amount of assets or liabilities for which accounts receivable have been transferred but involvement continues in the Group.**

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Other receivables

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Dividend receivables	434,213,482.03	573,412,484.96
Other receivables	936,104,058.53	1,046,628,737.15
Total	1,370,317,540.56	1,620,041,222.11

(1) Dividend receivables

Item	Balance at the End of the Year	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	391,650,975.80
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	0.00	85,098,115.20
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	94,113,393.96	94,113,393.96
Guangdong Blue Treasure Pharmaceutical Co. Ltd. (廣東藍寶製藥有限公司)	0.00	2,550,000.00
Sub-total:	434,213,482.03	573,412,484.96
Less: Provision for bad debt	0.00	0.00
Total	434,213,482.03	573,412,484.96

(2) Other receivables

① Disclosure by nature of the amount

Item	Balance at the End of the Year			Balance at the Beginning of the Year		
	Gross amount	Provision for bad debt	Carrying amount	Gross amount	Provision for bad debt	Carrying amount
Reserve fund and advances	8,998,768.38	1,219,384.35	7,779,384.03	12,215,551.90	1,179,301.49	11,036,250.41
Other receivables of each company within the scope of combination	904,560,541.71	0.00	904,560,541.71	1,034,412,033.49	0.00	1,034,412,033.49
Related party balances	15,010,530.00	415,753.61	14,594,776.39	0.00	0.00	0.00
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	9,169,356.40	0.00	9,169,356.40	0.00	0.00	0.00
Others	0.00	0.00	0.00	1,214,428.58	33,975.33	1,180,453.25
Total	942,739,196.49	6,635,137.96	936,104,058.53	1,052,842,013.97	6,213,276.82	1,046,628,737.15

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 Year, provision for bad debt at step 1:

Type	Gross amount	Expected credit losses rate over the next 12 months (%)	Provision for bad debts	Carrying amount	Reason
Provision for bad debt on individual basis	443,382,838.43	0.00	0.00	443,382,838.43	
Dividend receivable	434,213,482.03	0.00	0.00	434,213,482.03	Expected to be recoverable
Amounts of exercised options	9,169,356.40	0.00	0.00	9,169,356.40	Expected to be recoverable
Provision for bad debt on collective basis	904,560,541.71	0.00	0.00	904,560,541.71	
Other receivables of each combined company	904,560,541.71	0.00	0.00	904,560,541.71	Expected to be recoverable
Total	1,347,943,380.14	0.00	0.00	1,347,943,380.14	

As at the End of the Year, provision for bad debt at step 2:

Type	Gross amount	Expected credit losses rate over the lifetime (%)	Provision for bad debts	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	23,771,838.94	5.88	1,397,678.52	22,374,160.42	
Other receivables	23,771,838.94	5.88	1,397,678.52	22,374,160.42	–
Total	23,771,838.94	5.88	1,397,678.52	22,374,160.42	

As at the End of the Year, provision for bad debt at step 3:

Type	Gross amount	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying amount	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	

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)

Provision made for bad debts as at 31 December 2019:

As of 31 December 2019, provision for bad debt at step 1:

Type	Gross amount	Expected credit losses rate over the next 12 months (%)	Provision for bad debts	Carrying amount	Reason
Provision for bad debt on individual basis	573,412,484.96	0.00	0.00	573,412,484.96	
Dividend receivable	573,412,484.96	0.00	0.00	573,412,484.96	Expected to be recoverable
Provision for bad debt on collective basis	1,034,412,033.49	0.00	0.00	1,034,412,033.49	
Other receivables of each company within the scope of consolidation	1,034,412,033.49	0.00	0.00	1,034,412,033.49	Expected to be recoverable
Total	1,607,824,518.45	0.00	0.00	1,607,824,518.45	

As of 31 December 2019, provision for bad debt at step 2:

Type	Gross amount	Expected credit losses rate over the lifetime (%)	Provision for bad debts	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	18,192,521.04	32.85	5,975,817.38	12,216,703.66	
Other receivables	18,192,521.04	32.85	5,975,817.38	12,216,703.66	–
Total	18,192,521.04	32.85	5,975,817.38	12,216,703.66	

As of 31 December 2019, provision for bad debt at step 3:

Type	Gross amount	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying amount	Reason
Provision for bad debt on individual basis	237,459.44	100.00	237,459.44	0.00	
Other receivables	237,459.44	100.00	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	237,459.44	100.00	237,459.44	0.00	

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 debt made, recovered or reversed during the Year

Provision for bad debts	Step 1 Expected credit losses over the next 12 months	Step 2 Expected credit losses over the lifetime (without impairment of credit)	Step 3 Expected credit losses over the lifetime (with impairment of credit)	Total
Balance at the Beginning of the Year	0.00	5,975,817.38	237,459.44	6,213,276.82
Balance at the Beginning of the Year transferred for the Year				
– Transferred to step 2	0.00	0.00	0.00	0.00
– Transferred to step 3	0.00	-5,000,000.00	5,000,000.00	0.00
– Reversed in step 2	0.00	0.00	0.00	0.00
– Reversed in step 1	0.00	0.00	0.00	0.00
Provisions made for the Year	0.00	421,861.14	9,019,529.73	9,441,390.87
Reversals for the Year	0.00	0.00	0.00	0.00
Write-off for the Year	0.00	0.00	0.00	0.00
Settlement for the Year	0.00	0.00	9,019,529.73	9,019,529.73
Other changes	0.00	0.00	0.00	0.00
Balance at the End of the Year	0.00	1,397,678.52	5,237,459.44	6,635,137.96

- ④ Other receivables actually written off during the Year

Item	Amount written off
Other receivables actually written off	9,019,529.73

Of which, important other receivables were written off as follows:

Name of unit	Nature of receivables	Amount written off	Reason for write-off	Write-off procedures performed	Whether the amount was generated from connected transactions
Wenshan Livzon Sanqi Plantation Co., Ltd. (文山麗珠三七種植有限公司)	Current account	9,019,529.73	Deregistration of company	–	No

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 Year

Name of unit	Nature of receivables	Balance at the End of the Year	Aging	Proportion to total other receivables at the End of the Year (%)	Balance of provision for bad debt at the End of the Year
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	Current account	758,119,455.39	Within 1 year RMB322,387,877.28, 1-2 years RMB435,731,578.11	80.42	0.00
Ando Development Limited (安瀾發展有限公司)	Current account	123,931,200.73	1-2 years	13.15	0.00
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	Current account	21,025,292.39	Within 1 year RMB13,495.00, 1-2 years RMB21,011,797.39	2.23	0.00
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Equity transfer amount	15,000,000.00	Within 1 year	1.59	415,461.96
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	9,169,356.40	Within 1 year	0.97	0.00
Total	–	927,245,304.91	–	98.36	415,461.96

- ⑥ The Group has no derecognised other receivables out of transfer of financial assets.

- ⑦ The Group 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 Year			Balance at the Beginning of the Year		
	Gross amount	Provision for impairment	Carrying amount	Gross amount	Provision for impairment	Carrying amount
Investments in subsidiaries	2,107,207,001.59	17,287,569.18	2,089,919,432.41	1,840,108,891.59	17,287,569.18	1,822,821,322.41
Investments in associates	50,214,686.96	1,200,000.00	49,014,686.96	79,536,261.59	1,200,000.00	78,336,261.59
Total	2,157,421,688.55	18,487,569.18	2,138,934,119.37	1,919,645,153.18	18,487,569.18	1,901,157,584.00

(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 Year	Decrease during the Year	Balance at the End of the Year	Provision for impairment for the Year	Balance of provision for impairment at the End of the Year
Zhuhai Livzon Baimeg 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)	408,610,100.01	0.00	0.00	408,610,100.01	0.00	0.00
Lian (Hong Kong) Co., Ltd. (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 Co., Ltd. (麗珠集團麗珠醫藥營銷有限公司)	12,008,000.00	0.00	0.00	12,008,000.00	0.00	0.00
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	184,301,219.52	0.00	0.00	184,301,219.52	0.00	0.00
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
Wenshan Livzon Sanqi Plantation Co., Ltd. (文山麗珠三七種植有限公司)	4,694,000.00	0.00	4,694,000.00	0.00	0.00	0.00
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	30,000,000.00	0.00	30,000,000.00	0.00	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)	0.00	90,000,000.00	0.00	90,000,000.00	0.00	0.00
Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	300,000.00	211,792,110.00	0.00	212,092,110.00	0.00	0.00
Total	1,840,108,891.59	301,792,110.00	34,694,000.00	2,107,207,001.59	0.00	17,287,569.18

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

4. Long-term equity investments (continued)

(2) Investments in associates

Investee	Balance at the Beginning of the Year	Investment acquired/new investment	Investment disposed of	Change during the Year			Cash dividend or profit distribution declared	Provision for impairment	Others	Balance at the End of the Year	Balance of provision for impairment at the End of the Year
				Investment profit and loss recognized under the equity method	Adjustment in other comprehensive income	Other equity change					
Associates											
Livzon Medical Electronic Equipment (Plant) Co., Ltd. (麗珠醫用電子設備(商)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)	12,119,446.16	0.00	0.00	4,164,913.04	0.00	0.00	0.00	0.00	0.00	16,284,359.20	0.00
Jiangsu Ni Ke Medical Equipment Co., Ltd. (江蘇尼科醫療器械有限公司)	33,238,786.35	0.00	31,731,160.45	-1,507,625.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shenzhen City Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	1,040,361.07	0.00	0.00	40,181.97	0.00	0.00	0.00	0.00	0.00	1,080,543.04	0.00
DOSERNA INC	5,916,586.07	0.00	5,841,966.98	-74,619.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	26,021,081.94	0.00	0.00	-14,162,407.28	-40,317.61	19,831,427.67	0.00	0.00	0.00	31,649,784.72	0.00
Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)	0.00	8,169,649.04	5,812,510.14	-2,357,138.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	79,536,261.59	8,169,649.04	43,385,637.57	-13,896,696.16	-40,317.61	19,831,427.67	0.00	0.00	0.00	50,214,686.96	1,200,000.00

5. Operating income, operating cost

(1) Operating income and operating cost

Item	For the Year		For the Last Year	
	Income	Cost	Income	Cost
Principal activities	4,818,121,870.93	3,241,827,524.35	4,877,324,620.53	3,027,365,300.72
Other activities	18,280,317.35	10,949,985.22	27,724,563.11	5,763,100.00
Total	4,836,402,188.28	3,252,777,509.57	4,905,049,183.64	3,033,128,400.72

The Group operates in a single operating segment in the PRC, i.e. the manufacture of pharmaceuticals. Accordingly, no operating segment of the Group is presented.

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

5. Operating income, operating cost *(continued)*

(2) Operating income, operating cost presented by product types

Item	For the Year		For the Last Year	
	Income	Cost	Income	Cost
Principal activities:				
Chemical drug preparation products	4,124,288,497.24	2,832,822,781.32	3,879,472,530.54	2,439,798,092.31
Traditional Chinese drug preparation products	673,728,775.89	388,900,145.23	997,852,089.99	587,567,208.41
Others	20,104,597.80	20,104,597.80	0.00	0.00
Sub-total	4,818,121,870.93	3,241,827,524.35	4,877,324,620.53	3,027,365,300.72
Other activities:				
Sales of materials	0.00	0.00	4,221,275.23	5,763,100.00
Lease income	539,517.62	0.00	918,349.91	0.00
Technology transfer	0.00	0.00	14,622,641.51	0.00
Others	17,740,799.73	10,949,985.22	7,962,296.46	0.00
Sub-total	18,280,317.35	10,949,985.22	27,724,563.11	5,763,100.00
Total	4,836,402,188.28	3,252,777,509.57	4,905,049,183.64	3,033,128,400.72

(3) Major business income and cost presented by regions of operations

Item	For the Year		For the Last Year	
	Income	Cost	Income	Cost
Domestic	4,818,121,870.93	3,241,827,524.35	4,877,324,620.53	3,027,365,300.72

(4) Major business income and cost presented by recognition time of income

Item	For the Year		For the Last Year	
	Income	Cost	Income	Cost
Commodities (recognized at a point in time)	4,818,121,870.93	3,241,827,524.35	4,877,324,620.53	3,027,365,300.72

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

6. Investment Income

Item	For the Year	For the Last Year
Long-term equity investments income under cost method	1,199,756,062.56	244,233,560.40
Long-term equity investments income under equity method	-13,896,696.16	-12,699,314.85
Investment income from disposal of long-term equity investments	99,005,130.93	20,583,292.00
Investment income from financial assets held for trading during its holding period	92,291.36	90,643.41
Dividend income from other equity instrument investments	4,399.77	2,272.18
Total	1,284,961,188.46	252,210,453.14

XVII. SUPPORTING INFORMATION

1. Statement of non-recurring profit or loss

Items	For the Year	For the Last Year
Profit or loss from disposal of non-current assets	102,626,734.17	460,273.31
Return, exemption and discharge of taxes resulting from approving ultra vires, or without formal approval or incidentally incurred	0.00	0.00
Government grants as included in the current profit or loss, however, except for those which are closely related to the normal business of an enterprise, comply with the policies of the State and are continuously entitled with specific amount or quantity according to certain standards	215,501,383.39	154,959,775.56
Funds occupation fees charged from non-financial enterprises	0.00	0.00
Gains resulting from the investment cost of the enterprise for the purpose of acquisition of the subsidiaries, joint operation and joint ventures is lower than the fair value of net identifiable assets of the investee as entitled at the time of receipt of the investment	0.00	0.00
Profit or loss from exchange of non-monetary assets	0.00	0.00
Profit or loss from investment or management of assets by the others	0.00	0.00
Provision for impairment of assets accrued due to force majeure factors, such as natural disasters	0.00	0.00
Profit or loss from debts restructuring	-298,617.11	0.00
Enterprise restructuring fees, such as the expenses for employees' settlement and the integration fees	0.00	0.00
Profit or loss exceeding the fair value and generated from the transaction of which the transaction price is obviously unfair	0.00	0.00
Net profit or loss over the current period of the subsidiaries as a result of business combination under common control from the beginning of the year to the date of consolidation	0.00	0.00
Profit or loss from contingent issues irrelevant to the Company's normal business	0.00	0.00
Except for the efficient hedging related to the Company's normal business, profit or loss from changes in fair value as generated from financial assets and financial liabilities held for trading and gains from investment as a result of the disposal of financial assets and financial liabilities held for trading and debt investments	40,989,100.48	-9,792,768.00
Reversals of provision for impairment of accounts receivable with individual impairment test	0.00	0.00
Profit or loss from entrusted loans	0.00	0.00
Profit or loss from fair value change of the investment properties that are subsequently measured under the fair value model	0.00	0.00
Effect on current profit or loss as a result of the one-time adjustments to current profit or loss under the tax, accounting and other laws and regulations	0.00	0.00

XVII. SUPPORTING INFORMATION (continued)**1. Statement of non-recurring profit or loss** (continued)

Items	For the Year	For the Last Year
Custody fees income from entrusted operation	0.00	0.00
Other non-operating income and expenditures other than the abovementioned items	-11,013,482.07	-2,392,090.75
Other profit or loss items as defined by the non-recurring profit or loss	0.00	0.00
Total non-recurring profit or loss	347,805,118.86	143,235,190.12
Less: Effect on income tax of non-recurring profit or loss	48,109,083.87	20,785,731.83
Less: Net effect of non-recurring profit or loss attributable to the Company's minority shareholders (after tax)	16,335,046.31	11,109,186.82
Non-recurring profit or loss attributable to the Company's ordinary shareholders	283,360,988.68	111,340,271.47

Note: As for the figures in the non-recurring profit or loss column, "+" represents the gains and income, "-" represents the loss or expense.

The Group recognizes non-recurring profit or loss items according to the Explanatory Announcement No.1 on Corporate Information Disclosure for the Public Offering of Securities-Non-recurring Profit or Loss (ZJHGG [2008] No. 43).

2. Rate of return on net assets and earnings per share**2020**

Profit during the reporting period	Rate of return on weighted average net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary shareholders	14.86	1.83	1.83
Net profit attributable to the Company's ordinary shareholders after a deduction of non-recurring profit or loss	12.40	1.53	1.53

2019

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	12.02	1.39	1.39
Net profit attributable to the Company's ordinary shareholders after a deduction of non-recurring profit or loss	11.00	1.27	1.27

XIII. LIST OF DOCUMENTS AVAILABLE FOR INSPECTION

- (I) Audited financial report of the Company for the twelve months ended 31 December 2020 prepared in accordance with the Accounting Standards for Business Enterprises in the PRC, which has been signed and sealed by the person-in-charge of the Company, the person-in-charge of the Company's financial affairs (mainly responsible for accounting work) and the person-in-charge of the accounting department (the head of the accounting department).
- (II) The original document of the auditors' report sealed by the accounting firm and signed and sealed by the certified public accountants.
- (III) Original copies of all documents and announcements of the Company which have been disclosed on designated websites as approved by CSRC during the Year.
- (IV) 2020 Annual Report of the Company in English and Chinese versions published on the website of Hong Kong Exchanges and Clearing Limited.

Livzon Pharmaceutical Group Inc.

Zhu Baoguo

Chairman

22 March 2021