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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 2021**

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 2021. This results announcement, containing the full text of the 2021 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 2021 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 2022.

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
28 March 2022

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. Tian Qiusheng, Mr. Wong Kam Wa, Mr. Luo Huiyuan and Ms. Cui Lijie.

* *For identification purpose only*

CONTENTS

List of Documents Available for Inspection	2	Section V. Environmental and Social Responsibility	170
Chairman's Statement	3	Section VI. Major Events	192
Financial Highlights	8	Section VII. Changes in Equity and Shareholders	236
Section I. Important Notice and Definitions	10	Section VIII. Information on Preferred Shares	252
Section II. Company Profile and Principal Financial Indicators	15	Section IX. Information on Bonds	253
Section III. Management Discussion and Analysis	23	Section X. Financial Report	254
Section IV. Corporate Governance and Corporate Governance Report	114		



LIST OF DOCUMENTS AVAILABLE FOR INSPECTION

- (I) Audited financial report of the Company for the twelve months ended 31 December 2021 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 audit report sealed by the accounting firm and signed and sealed by the certified public accountants.
- (III) Original copies of all documents and announcements of the Company which have been disclosed on designated websites as approved by CSRC during the Year.
- (IV) 2021 annual report of the Company in English and Chinese versions published on the website of Hong Kong Exchanges and Clearing Limited.



Mr. Zhu Baoguo
Chairman of the Board

Dear Shareholders,

The year 2021 was a year when COVID-19 pandemic continued to spread around the world. Meanwhile, as China had been deepening reforms of the pharmaceutical and health systems, the pharmaceutical industry has been developing into one that pursues transformation and upgrading and encourages innovation to realize high quality development. In such a market environment, the Group has been adhering to the mission of “prioritizing the quality of life of the patients” and the vision of “becoming a leader in the pharmaceutical industry”, actively embraced changes in the industry, steadily improved R&D efficiency and continued to accelerate market promotions, thereby ensuring the steady growth of the Company’s performance.

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 2021

In 2021, the Group recorded an operating income of RMB12,063.86 million, representing a year-on-year increase of 14.67%, and a net profit attributable to Shareholders of the Company of RMB1,775.68 million, representing a year-on-year increase of 3.54%; excluding gains and losses from extraordinary items, the net profit attributable to Shareholders of the Company generated from principal businesses of the Company in 2021 was RMB1,627.05 million, representing a year-on-year increase of 13.66%.

During the Year, the sales of the chemical drug preparation sector of the Group increased significantly, the sales in key advantageous areas such as gastroenterology, gonadotropic hormones and psychiatry achieved sustained and rapid growth as compared with the same period last year, combined with the steady increase in the proportion and profitability of high-end specialty APIs, which ensured the steady growth of the Company's overall performance.

Based on the operating results and overall financial position of the Group for 2021, the Board proposed a profit distribution plan of the Company for 2021 as follows: to distribute cash dividend of RMB13.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2021 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized. The profit distribution plan for 2021 was still subject to consideration and approval at the 2021 annual general meeting of the Company.

During the Year, the Group deepened the layout in five areas of gastroenterology, assisted reproduction, tumor and immunity, psychiatry and metabolic diseases, and focused on "innovation drugs and high-barrier complex drug preparations". The Group continuously enhanced innovation and R&D and business layout of the products in the segments of psychiatry, oncology and immunity, based on the traditional segments of assisted reproduction and gastroenterology on which we have advantages. Ilaprazole series (艾普拉唑系列) products (innovative medicines) and Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) products (a high-barrier complex drug preparation) continued to grow at a high rate and have become powerful engines for the rapid development of the Group. Meanwhile, the Group continued to focus on cutting-edge technologies, strengthen external cooperation, actively develop innovative business cooperation models in global markets and accelerate the international industrial layout.

The Group regarded R&D innovation as the basis for sustainable development, and has enriched its pipelines under research with breakthrough progress made in the R&D of key products. Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) (1-month sustained release) had completed the phase III clinical trial and was in the process of application for production registration; Aripiprazole Microspheres for Injection (注射用阿立哌唑微球), our blockbuster product, was under the stage of phase I clinical trial with promising market prospects; Cetrorelix Acetate for Injection (注射用醋酸西曲瑞克) had filed for registration in China and United States and had obtained approval for launch in domestic market in December 2021; Recombinant Human Choriogonadotropin alfa for Injection (注射用重组人绒毛膜促性腺激素) was approved for sales in the market as the first domestic generic drug; Recombinant Humanized Anti-human IL-6R Monoclonal Antibody Solution for Injection (重组人源化抗人IL-6R单克隆抗体注射液) (i.e. Tocilizumab Solution for Injection (托珠单抗注射液)) has applied for production with application

accepted; Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody Injection (重组抗人IL-17A/F人源化单克隆抗体注射液), our blockbuster product, was under the stage of phase Ib/II clinical trial. In addition, 4 projects obtained approvals in consistency evaluation, which helped us to maintain the Company's market position in the industry.



Another blockbuster product among our biologics is Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗) ("V-01"), which is jointly developed by the Group and the Institute of Biophysics, Chinese Academy of Sciences (中國科學院生物物理研究所). The phase I/II clinical results of V-01 showed that it has excellent safety and immunogenicity, and its phase III clinical trials were conducted in many countries across the globe. The key data of the phase III clinical trial of sequential booster of V-01 shown that the absolute vaccine efficacy after V-01 sequential booster has met World Health Organization (WHO)'s standards and can produce good protection against COVID-19 caused by Omicron infection. Meanwhile, in view of the global trend of COVID-19 pandemic and the prevalence of COVID-19 variants, the Group has developed a variety of variant vaccines and carried out relevant studies on booster/sequential immunization on animals and clinical trials. As the Group's first product to conduct the phase III global multi-center clinical trials, the smooth progress of V-01's phase III clinical trials has also accumulated richer resources and experience in organizational management, partnerships, team capabilities and registration applications for the internationalization of the Group's innovative drugs and the launch of global multi-center clinical trials for more drugs.



In terms of sales, the marketing team of the Group focused on academic marketing and evidence marketing, enhanced professional and refined management, followed closely the national medical reform policies and the implemented measures in different areas. Under the pandemic, the interaction mode of online academic education and offline communication was launched, and new medias were leveraged for online dissemination, which enhanced the corporate brand image; Hospital coverage of key products continued to rise, and the overall sales revenue from prescription drugs recorded obvious growth as compared with the Previous Year; The portfolio development strategy was proceeded, and specialty products of psychiatry recorded continuous rapid growth; Promotion for OTC products was strengthened, and OTC products recorded prominent growth.

In terms of strategies and functions, the Group continued to pay close attention to forefront technologies, strengthened external cooperation and proactively developed innovative business cooperation model in the worldwide market, and proactively search for forefront technologies around the world and opportunities to deploy internationalization of products through various methods including collaborative development and introduction of licensing, such as the cooperation with Tencent Quantum Lab to conduct research in the direction of synthetic biology with AI technology and successful overseas development 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), a product under research, we enhanced capabilities of commercialization and integration. In addition, the Company formulated the overall target for carbon emission and the 2021-2025 Environmental Management Targets, striving to achieve carbon neutrality by 2055, and ESG (Environmental, Social and Governance) appraisal indicator was introduced to the appraisal of the management, which further enhanced the ESG governance work of the Group.

While focusing on our own development, the Group always persists in contributing to the social welfare business and actively undertakes social responsibilities. Since the end of 2018 until today, the "Access to Public Welfare for Chronic Diseases Prevention and Treatment Program (普惠慢病防治公益項目)", established jointly by the Group and the Joicare Group, has been implemented in various regions, including Sichuan Province, Shanxi Province, Gansu Province, Jilin Province, Tibet, Henan Province, Anhui Province, Hunan Province and Jiangxi Province, and delivered pharmaceuticals needed urgently by middle and elder age patients with chronic diseases. Moreover, the Group provided prompt support to the serious flooding occurred in Henan Province in July 2021, and cash and pharmaceuticals were donated through the Chinese Red Cross Foundation for flood relief and control. In addition to give a helping hand promptly in natural disasters, the Group has been conducting the "Help for Love" (為愛助行) campaign for many years by making donations for education purpose, while providing support to revitalize industries and villages. During the Reporting Period, the expenditure of charitable donation of the Group was approximately RMB19.45 million.

Furthermore, the Group always strives to grow with employees. Through compliant policies and systems, diversified training systems and comprehensive remuneration and welfare mechanisms, we provide opportunities of sustainable development to each employee. By upholding the principles of fairness, impartiality and openness, the Group has created a diversified development platform to realize harmony and unity in values of the corporate and staffs.

FUTURE OUTLOOK

In 2022, we see pressure and also opportunities. The Group will always uphold the mission of "prioritizing the quality of life of the patients" with the vision of "becoming a leading pharmaceutical enterprise within the industry", and will continue to set its foothold on the unmet clinical needs and accelerate transformation and upgrading. By tracking the pulse of current era, adjusting our mindset, changing with environmental changes, the Group will continue to work hard in the healthcare industry.

The Group will persist in R&D and innovation, accelerate the pace of development of new products, continue to launch high quality products with definite treatment effects; step up technological and management innovations, actively promote the progress in internationalization; make bold attempts in new technologies and new models, realize digital and intellectual transformation and upgrading in key segments including R&D, production, sales and management, so as to improve efficiency in operations and adapt to the new trends in the pharmaceutical industry and markets; continue to develop the markets with sensitive foresights on market changes and increase market shares; on the premise of energy saving, emission reduction, safety and environment protection, strive to reduce production costs and enhance the quality of products. Meanwhile, the Group will continue to pay attention to the development of the COVID-19 pandemic and adopt preventive and control measures accordingly to ensure stability and order in operating activities, and will exert full force in promoting the R&D progress of COVID-19 vaccines to contribute "Livzon efforts" in fighting the pandemic.

Moreover, the Group will continue to respond actively to national policies by performing commitments and undertaking social responsibilities of a pharmaceutical enterprise, and will continue to pay attention to the pandemic development and special support for patients with chronic diseases, so as to make further contributions to realize a healthy China, revitalize villages and realize common prosperity. Meanwhile, the Group will increase investments in environmental protection, continue energy saving and emission reduction, reduce carbon emissions, and strive to achieve the energy saving and emission reduction targets and the carbon reduction target of the Group, approaching continuously towards the vision of achieving carbon neutrality by 2055.

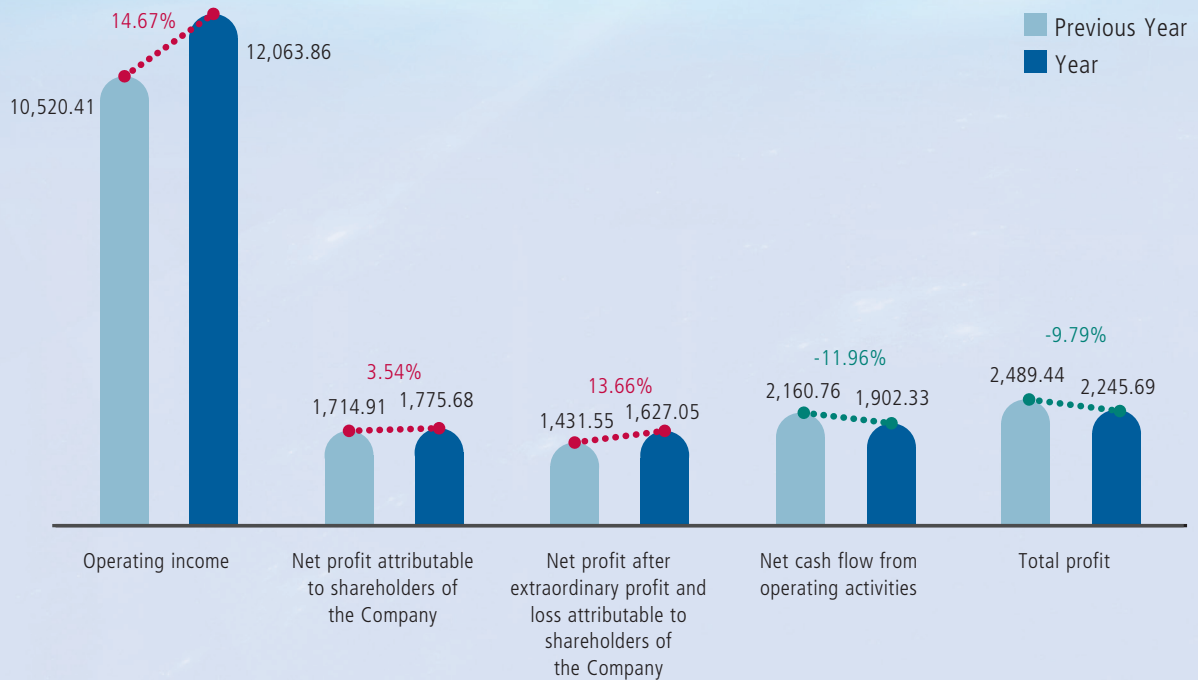
On behalf of the Board of the Company, I would like to take this opportunity to express my sincere thanks to all Shareholders, all staff of the Group and business partners for their long-lasting care and support.

Zhu Baoguo

Chairman

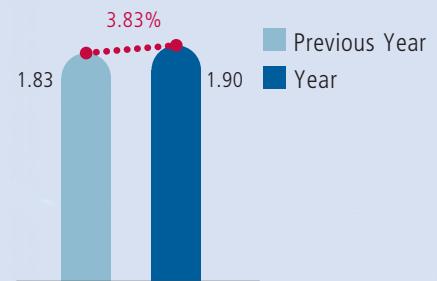
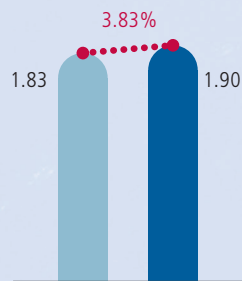
28 March 2022

Major financial indicators (RMB in millions)

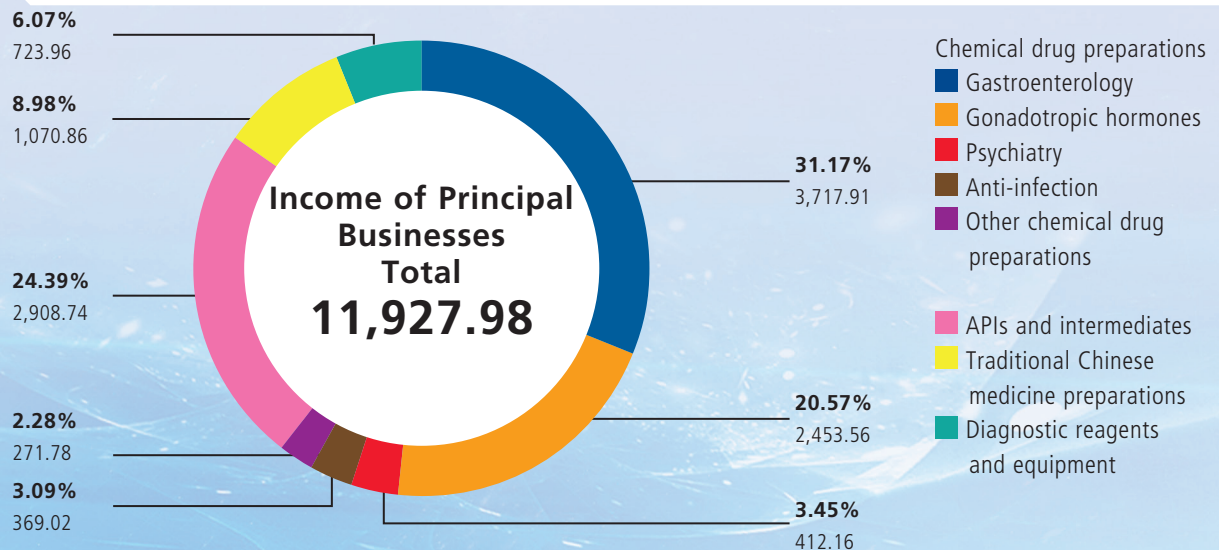


Basic earnings per share (RMB/share)

Diluted earnings per share (RMB/share)



Composition of principal businesses (RMB in millions)



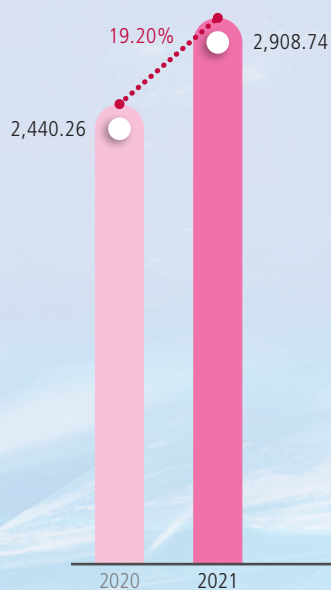
FINANCIAL HIGHLIGHTS

Unit: RMB in millions

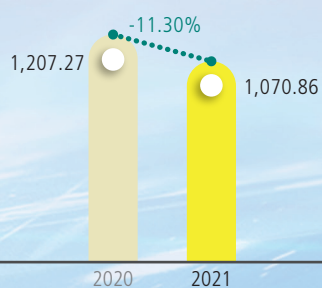
Chemical drug preparations



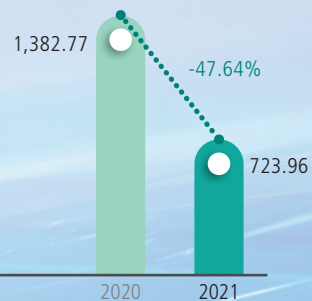
APIs and intermediates



Traditional Chinese medicine preparations



Diagnostic reagents and equipment



IMPORTANT NOTICE

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

The financial report of the Company for the year ended 31 December 2021 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 2021 is as follows: to distribute cash dividend of RMB13.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2021 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized (the "Dividend Distribution Plan for the Year"). The Dividend Distribution Plan for the Year is still required to be submitted to the 2021 annual general meeting (the "AGM") of the Company for consideration and approval. Subject to the approval of the Dividend Distribution Plan for the Year at the AGM, it is expected to distribute cash dividend to A Shareholders and H Shareholders on 31 May 2022 and 24 June 2022, respectively.

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

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

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

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
“Year”, “Reporting Period” or “Period”	the twelve months from 1 January to 31 December 2021
“Same Period Last Year”, “Previous Period” or “Previous Year”	the twelve months from 1 January to 31 December 2020
“End of the Previous Year” or “End of the Previous Period”	31 December 2020
“Beginning of the Year”, “Beginning of the Reporting Period” or “Beginning of the Period”	1 January 2021

“End of the Year” or “End of the Reporting Period”	31 December 2021
“CSRC”	China Securities Regulatory Commission
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange
“CSDCC”	Shenzhen Branch of China Securities Depository and Clearing Corporation Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“China Accounting Standards for Business Enterprises”	Accounting Standards for Business Enterprises – Basic Standard and 38 specific accounting standards, the Application Guidance to Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other related requirements subsequently promulgated by the Ministry of Finance of the PRC on 15 February 2006
“Company Law”	the Company Law of the People’s Republic of China
“Securities Law”	the Securities Law of the People’s Republic of China
“Shenzhen Listing Rules”	the Stock Listing Rules of the Shenzhen Stock Exchange
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Corporate Governance Code”	the Code of Corporate Governance as set out in Appendix 14 of the Hong Kong Listing Rules
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules
“SFO”	Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Articles of Association”	the Articles of Association of Livzon Pharmaceutical Group Inc.* (《麗珠醫藥集團股份有限公司章程》)
“B-To-H Share Conversion”	conversion of the domestically listed foreign shares (B Shares) of the Company into H Shares by way of introduction for listing and trading on the main board of the Hong Kong Stock Exchange
“Joincare”	Joincare Pharmaceutical Industry Group Co., Ltd.* (健康元藥業集團股份有限公司) (Shanghai Stock Exchange stock code: 600380), a joint stock company incorporated under the laws of the PRC and listed on the main board of the Shanghai Stock Exchange in 2001 and one of the Company’s controlling shareholders

“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)
“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)
“Sanmed Gene”	Zhuhai Sanmed Gene Diagnostics Ltd.* (珠海市聖美基因檢測科技有限公司) (formerly known as Livzon Gene Diagnostics Inc.* (珠海市麗珠基因檢測科技有限公司))
“Lizhu HK”	Lizhu (Hong Kong) Co., Limited* (麗珠(香港)有限公司)
“Zhuhai Sanmed”	Zhuhai Sanmed Biotech Inc.* (珠海聖美生物診斷技術有限公司)
“Livzon Biologics” or “Livzon Cayman”	Livzon Biologics Limited

"Livzon International"	Livzon International Limited
"Joincare BVI"	Joincare Pharmaceutical Group Industry Co., Ltd
"Livzon HK"	Livzon Biologics Hong Kong Limited (麗珠生物科技香港有限公司)
"Livzon Bio"	Livzon Bio, Inc.* (珠海市麗珠生物醫藥科技有限公司)
"PRC" or "China"	the People's Republic of China
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"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 virus"	a new coronavirus called SARS-CoV-2
"COVID-19 pandemic" or "pandemic"	the outbreak of the disease caused by a new coronavirus called SARS-CoV-2
"COVID-19 vaccine(s)"	vaccine(s) for the SARS-CoV-2 virus
"R&D"	research and development
"CE"	Conformité Européenne (CE), being the certification of the product by European Union, indicating that the product has met the safety requirements stipulated by the European Directives. The access condition for a product to enter the EU market are that the product has passed the corresponding conformity assessment procedures and the declaration of conformity of a manufacturer, with attachment of CE mark
"IND"	Investigational New Drug
"BD"	Business Development

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

I. COMPANY INFORMATION

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

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

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

* For identification purpose only

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

II. CONTACT PERSONS AND CONTACT DETAILS

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

III. INFORMATION DISCLOSURE AND PLACES FOR INSPECTION

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

DRUG PREPARATION PRODUCTS

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



Ilaprazole Sodium for Injection
For treatment of Peptic ulcer hemorrhage.



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



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.



Perospirone Hydrochloride Tablets
For treatment of schizophrenia.



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.



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



IV. CHANGE OF REGISTRATION DETAILS

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

V. OTHER RELEVANT INFORMATION

1. Accounting firm appointed by the Company

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

APIS

DIAGNOSTIC REAGENTS



Diagnostic Kit for IgM/IgG Antibody to Coronavirus (SARS-CoV-2) (Lateral Flow)
It is used for the simultaneous diagnosis with nucleic acid or the auxiliary diagnosis of suspected cases of novel coronavirus and to assist in the diagnosis of novel coronavirus infection.



Antinuclear Antibody Test Kit (17) (Magnetic Barcode Immunofluorescence)
It is used for the quantitative and qualitative detection of common anti-nuclear and anti-antibodies in the autoimmune diseases, clinically used to diagnose diseases, such as the systemic lupus erythematosus, Sjogren's syndrome, systemic sclerosis, polymyositis and dermatomyositis and the mixed connective tissue disease.



Nucleic Acid Test Kit for Human Immunodeficiency Virus Type 1 (Real-Time PCR)
It is used to quantitatively detect the nucleic acid level of HIV virus, assist in the diagnosis of HIV infection, evaluate the treatment result and monitor the progress of the disease.



Interferon-Gamma Release Assays (IGRA) Test Kit (Chemiluminescence Immunoassay)
It is used to determine whether the human body is infected with Mycobacterium tuberculosis by detecting the release of specific IFN- γ in blood samples, which is used for clinical auxiliary diagnosis of tuberculosis.



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) and Yang Liang (楊亮)
Company Secretary	Yang Liang (楊亮)
Alternate authorized representative	Yuan Ailing (袁藹鈴)
Name of H Share Registrar	Tricor Investor Services Limited
Address of H Share Registrar	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

<u>Name of the sponsor</u>	<u>Office address of the sponsor</u>	<u>Name of the sponsor representatives</u>	<u>Period of continuous supervision</u>
Minsheng Securities Co., Ltd.	No. 8 Pu Ming Road, China (Shanghai) Pilot Free Trade Zone	Yu Chunyu (于春宇) and Chenyu (陳雨)	From 20 September 2016 to 31 December 2021

Note: According to the relevant requirements under the Administrative Measures for the Sponsorship Business of the Issuance and Listing of Securities (證券發行上市保薦業務管理辦法), the date of listing of the new shares under the non-public issuance of shares was 20 September 2016, and the period of continuous supervision and guidance was the period from the date of listing of the shares under the non-public issuance to 31 December 2017. During the Reporting Period, the proceeds raised from the non-public issuance of shares by the Company has not been fully utilized and Minsheng Securities Co., Ltd., the Sponsor of the Company, shall continue to perform its duties of continuous supervision and guidance in respect of deposit and utilization of the proceeds. On June 15, 2021, the Company received a letter from Minsheng Securities Co., Ltd. ("Minsheng Securities"), the sponsor of the Company's non-public issuance of shares, on the replacement of the sponsor representative of the Company for continuous supervision. Due to the change of work, Mr. Xu Weili (徐衛力) ceased to be the sponsor representative of the Company for continuous supervision. In order to ensure the orderly progress of the continuous supervision work, Minsheng Securities designated Mr. Chen Yu (陳雨) to replace Mr. Xu Weili. After the replacement, the sponsor representatives of Company's the non-public issuance of shares are Mr. Yu Chunyu (于春宇) and Mr. Chen Yu (陳雨).

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

Applicable Not applicable

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

2. Changes in accounting estimates

Applicable Not applicable

3. Correction of accounting errors

Applicable Not applicable

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	2021	2020	Year-on-year change	2019	2018	2017
Operating income	12,063,863.27	10,520,409.84	14.67%	9,384,695.84	8,860,655.67	8,530,968.60
Net profit attributable to Shareholders of the Company	1,775,683.25	1,714,910.39	3.54%	1,302,875.44	1,082,174.91	4,428,684.56
Net profit attributable to Shareholders of the Company after deduction of extraordinary gains and losses	1,627,047.49	1,431,549.40	13.66%	1,191,535.17	947,216.31	820,022.56
Net cash flow from operating activities	1,902,328.14	2,160,760.61	-11.96%	1,767,162.88	1,267,621.18	1,315,865.47
Total profit	2,245,688.83	2,489,435.69	-9.79%	1,727,542.39	1,416,674.35	5,724,922.79
Basic earnings per share (RMB/share)	1.90	1.83	3.83%	1.39	1.16	4.79
Diluted earnings per share (RMB/share)	1.90	1.83	3.83%	1.39	1.16	4.77
Basic earnings per share after deduction of extraordinary gains and losses (RMB/share)	1.74	1.53	13.73%	1.27	1.02	0.89
Weighted average return on equity	14.32%	14.86%	Decreased by 0.54 percentage points	12.02%	10.15%	51.17%
Return on equity attributable to Shareholders of the Company	13.66%	14.16%	Decreased by 0.50 percentage points	11.67%	10.16%	41.11%
Ratio of equity attributable to Shareholders of the Company to total assets	58.13%	58.80%	Decreased by 0.67 percentage points	62.12%	61.09%	67.76%

Item	31 December 2021	31 December 2020	Change as at the End of the Year from the Beginning of the Year	31 December 2019	31 December 2018	31 December 2017
Total assets	22,371,915.59	20,590,815.79	8.65%	17,976,463.12	17,437,346.86	15,897,730.72
Total liabilities	8,060,890.80	6,950,733.80	15.97%	5,701,225.54	5,687,469.95	4,664,107.16
Net assets attributable to Shareholders of the Company	13,003,763.63	12,107,241.90	7.40%	11,166,752.45	10,651,977.47	10,772,739.77
Share capital	937,865.12	944,835.40	-0.74%	934,762.68	719,050.24	553,231.37
Shareholders' equity per share attributable to Shareholders of the Company (RMB/share)	13.87	12.81	8.20%	11.95	14.81	19.47

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

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

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

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

Yes No

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

Yes No

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

Total share capital of the Company as at the trading day prior to disclosure (shares)	938,247,822
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Fully diluted earnings per share based on the most updated share capital

Dividends paid for preferred shares	–
Interest paid for perpetual bonds (RMB)	–
Fully diluted earnings per share based on the most updated share capital (RMB/share)	1.89

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

21

VII. PRINCIPAL ACCOUNTING DATA AD 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

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

IX. QUARTERLY PRINCIPAL FINANCIAL INDICATORS

Unit: RMB

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating income	3,349,814,145.87	2,885,716,890.41	3,133,733,751.27	2,694,598,485.43
Net profit attributable to shareholders of the Company	519,651,078.57	542,824,838.84	390,254,498.37	322,952,835.23
Net profit attributable to shareholders of the Company after deduction of extraordinary gains and losses	485,302,200.16	434,767,283.16	424,316,935.80	282,661,067.78
Net cash flow from operating activities	514,620,182.77	160,290,809.31	630,433,249.14	596,983,897.81

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	Unit: RMB		
	Amount in 2021	Amount in 2020	Amount in 2019
Gains and losses on disposal of non-current assets (including the written-off portion of provisions made for asset impairment)	9,457,741.32	102,626,734.17	460,273.31
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)	206,479,154.93	215,501,383.39	154,959,775.56
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	1,975,577.48	40,989,100.48	-9,792,768.00
Other non-operating income and expenses apart from the above items	-21,301,165.09	-11,013,482.07	-2,392,090.75
Less: income tax effect	30,284,932.60	48,109,083.87	20,785,731.83
Effect of minority interests (after tax)	17,690,611.93	16,335,046.31	11,109,186.82
Total	148,635,764.11	283,360,988.68	111,340,271.47

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

Applicable Not applicable

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

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

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

The industry in which the Company operates is the pharmaceutical manufacturing industry. The pharmaceutical industry is a national strategic emerging industry and an integral part of the national economy. Since the implementation of a new round of reforms in the pharmaceutical and health system, our nation has built the world's largest basic medical insurance network with coverage for all citizens, the system structure is more enhanced and the system mechanism has been gradually improving. In 2021, reforms in the pharmaceutical and health system have deepened further, the environment for innovation continues to improve, the pharmaceutical industry continues to make progress in the direction of further transformation and upgrading and high-quality development that encourages innovation. As the aging population of our nation grows, and the level of urbanization keeps on increasing, the pharmaceutical industry of our nation as a whole, will present a continuous upward development trend.

The Group is primarily engaged in the R&D, production and sale of pharmaceutical products, which cover drug preparation products, active pharmaceutical ingredients ("APIs") and intermediates, as well as diagnostic reagents and equipment, covering a wide range of treatment fields such as assisted reproduction, gastroenterology, psychiatry and tumor immunology, and has formed a relatively complete product portfolio. The Ilaprazole series (艾普拉唑系列) products, an innovative drug, and Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球), a high-barrier complex preparation, of the Group are currently on sale and continued to grow at a high level, which have become a powerful engine driven by twin wheels for the Group's rapid development. In August 2021, the "Top 100 of Chinese Pharmaceutical Industry in 2020" was released at the 38th Annual National Pharmaceutical Industry Information Conference hosted by the China Pharmaceutical Industry Information Centre (中國醫藥工業信息中心), and the Company ranked 23rd.

In the Group's R&D pipeline, products under research based on platforms such as biologics and microspheres, inject new vitality into the Company's business development. The Company regards R&D and innovation as the foundation of sustainable development, focuses on unmet clinical needs, places emphasis on innovative drugs and high-barrier complex preparations, and further strengthens innovative R&D and business layout of psychiatry and tumor immunology products, on the basis of original fields of strength such as assisted reproduction and gastroenterology. Meanwhile, while continuously strengthening independent innovation, the Company also pays attention to cutting-edge technologies, strengthens external cooperation, actively develops innovative business cooperation models in the global market, and advances its international presence. Against the backdrop of the global spread of the COVID-19 pandemic, Livzon MAB, a subsidiary of the Company, has developed the Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗) in collaboration with the Institute of Biophysics, Chinese Academy of Sciences (中國科學院生物物理研究所), and has conducted the phase III clinical trials in many countries around the world. During the Reporting Period, the Company's total expenditure on R&D was approximately RMB1,523.26 million, representing a year-on-year increase of 53.93%, accounting for approximately 12.63% of the Group's total operating income for the Reporting Period. As at the end of the Reporting Period, there were 932 R&D personnel in the Group. In December 2021, the 2021 (14th) China Pharmaceutical Strategy Conference hosted by China Pharmaceutical Industry Information Center unveiled the list of the "Top 20 Innovative Pharmaceutical Enterprises in China in 2021", and the Company was included in the list.

I. THE INDUSTRY SITUATION IN WHICH THE COMPANY OPERATES DURING THE REPORTING PERIOD *(continued)***2. Significant impact of newly promulgated laws, administrative regulations, departmental rules and industry policies on the industry in which the Company operates**

- (1) In September 2021, the General Office of the State Council issued the "14th Five-Year Plan for Universal Medical Insurance" (the "Plan"). The Plan proposes to build fair medical insurance, legal medical insurance, safe medical insurance, smart medical insurance and collaborative medical insurance. In early December 2021, the National Healthcare Security Administration ("NHSA") and the Ministry of Human Resources and Social Security issued the Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2021) (the "Medical Insurance Catalogue"). Through this adjustment, the total number of drugs in the Medical Insurance Catalogue is 2,860. A total of 74 drugs have been added to the catalogue and 11 drugs have been removed from the catalogue. In addition to regular adjustments to the Medical Insurance Catalogue, the State also admit innovative drugs with high clinical value into the scope of payment under the Medical Insurance Catalogue by way of negotiation and price bargaining. In 2021, NHSA conducted negotiations and successfully negotiated the inclusion of 67 exclusive drugs not in the Medical Insurance Catalogue, with an average price reduction of 61.71%. Through "negotiations on prices", the prices of some drugs in the Medical Insurance Catalogue were further reduced and products of pharmaceutical companies established market presence across the nation rapidly, thus drugs become more affordable and more patients are benefitted. Meanwhile, more funds are available for purchasing more cost-effective drugs, enabling the rapid increase in the output volume of innovative drugs, which could successfully realize the upgrading and generation shift of drug insurance.
- (2) In January 2021, the General Office of the State Council issued the Opinions on Promoting the Normalized and Institutionalized Development of Centralized Drug Bulk-Buying, which set the tone for the future work of centralized bulk-buying of drugs, that is, normalized and institutionalized development. In June 2021, the fifth batch of centralized bulk-buying of drugs organized by the state resulted in the proposed selection in Shanghai. The procurement of 61 drugs intended to be purchased was successful, and the prices of the drugs proposed to be selected were reduced by an average of 56%. The purchase amount involving public medical institutions was RMB55 billion at pre-bulk buying prices, which was at a record high level. In November 2021, the sixth batch of centralized bulk-buying of drugs organized by the state was carried out in China, and special procurement of insulin was carried out. As at the end of the Reporting Period, six batches of centralized bulk-buying of drugs organized by the state were carried out successfully, and the prices of selected drugs were reduced by an average of 53%, covering mainstream drugs for chronic diseases and common diseases such as hypertension, diabetes, hyperlipidemia and chronic hepatitis B. At present, centralized bulk-buying of generic drugs has become normalized, and the price of products with winning bids may drop significantly. However, due to a certain volume of procurement is assured, it is convenient for enterprises to arrange for production and sales. Therefore, the unit cost of production of drugs has been reduced through the effect of economies of scale, and reduction in cross-regional marketing promotions has also enabled enterprises to save on sales expenses. Therefore, if a significant increase in sales volume is captured to offset the impact of price reduction, it will be of great significance for the enterprises to consolidate their positions in the industry. In addition, centralized bulk-buying of generic drugs will also drive more pharmaceutical enterprises to transform from generic drugs to innovative drugs, to innovate and research continuously to develop new drugs urgently needed in clinical practice, while exploring and expanding overseas markets.

I. THE INDUSTRY SITUATION IN WHICH THE COMPANY OPERATES DURING THE REPORTING PERIOD *(continued)***2. Significant impact of newly promulgated laws, administrative regulations, departmental rules and industry policies on the industry in which the Company operates** *(continued)*

- (3) In February 2021, the State Council promulgated “Certain Policies and Measures on Accelerating the Development of Traditional Chinese Medicine with Characteristics”, and in July 2021, the five departments jointly formulated the “Implementation Plan for the Dissemination of Traditional Chinese Medicine Culture (2021-2025)”, etc. In December 2021, NHSA and the State Administration of Traditional Chinese Medicine jointly issued the Guiding Opinions on Medical Insurance Supporting the Inheritance and Innovative Development of Traditional Chinese Medicine (the “Guiding Opinions”) to promote various measures to support and promote the development of the traditional Chinese medicine industry. The Guiding Opinions propose to include eligible traditional Chinese medicine tablets, Chinese patent drugs, and traditional Chinese medicine preparations of medical institutions into the Medical Insurance Catalogue, which is expected to increase the amount of traditional Chinese medicine used in hospitals. At the same time, the “dual-channel” drug management mechanism will be fully utilized to expand the channels for use of drugs by insured patients to designated retail pharmacies, so as to better serve the needs of insured patients for insured drugs. A series of relevant policies have demonstrated the importance placed by the government on the traditional Chinese medicine industry and its confidence in the future development of the industry, and will also bring more opportunities to Chinese medicine-related enterprises.
- (4) In October 2021, the National Development and Reform Commission and the Ministry of Industry and Information Technology jointly issued the “Notice on the Implementation Plan for Promoting the High-quality Development of the API Industry” (the “Notice”), in which it was proposed that “by 2025, a batch of high value-added and high growth product series will be developed, breakthroughs will be made in a batch of green and low-carbon technological equipment, a batch of internationally competitive leading enterprises will be cultivated, and a batch of industrial clusters and production bases with global influence will be created.” At present, China has become the world’s largest producer and exporter of APIs. The purpose of this implementation plan is to accelerate the pace of high-quality development of the API industry under the new circumstances, to improve the independent controllable level of the API industrial chain and supply chain, to drive technological innovation and upgrading of industry to meet the green and low carbon requirements, to build a new development pattern for the API industry, and to promote the enhancement of the core competitiveness of the pharmaceutical industry.
- (5) In November 2021, for the purpose of implementing clinical value-oriented and patient-centered R&D concepts and promoting the scientific and orderly development of anti-tumor drugs, the Center for Drug Evaluation of the National Medical Products Administration issued the Guiding Principles for Clinical Value-Oriented Research and Development of Anti-tumor Drugs, which emphasize on the requirement to develop drugs based on patient needs and clinical value-oriented principles. The document has mentioned that the prevailing best treatment drugs and methods shall be used as a reference to further increase the entry barrier for developing innovative drugs, which will be conducive to improving homogenous competition, reducing wastage in clinical resources, and enabling the pharmaceutical industry to move towards a higher quality development path.

II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE YEAR

During the Year, there was no material change in the principal businesses of the Group. The Group was primarily engaged in the 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)), Leuprorelin Acetate Microspheres for Injection (貝依(注射用醋酸亮丙瑞林微球)), Urofollitropin for Injection (麗申寶(注射用尿促卵泡素)), Menotropins for Injection (樂寶得(注射用尿促性素)), Voriconazole for Injection (麗福康(注射用伏立康唑)), Fluvoxamine Maleate Tablets (瑞必樂(馬來酸氟伏沙明片)), Perospirone Hydrochloride Tablets (康爾汀(鹽酸哌羅匹隆片)), Shenqi Fuzheng Injection (參芪扶正注射液), and Anti-viral Granules (抗病毒顆粒); APIs and intermediates such as Mevastatin (美伐他汀), Acarbose (阿卡波糖), Colistin Sulfate (硫酸黏菌素), Phenylalanine (苯丙氨酸), Vancomycin Hydrochloride (鹽酸萬古霉素), Daptomycin (達托霉素), Milbemycin Oxime (米爾貝肟) and Ceftriaxone Sodium (頭孢曲松鈉); and diagnostic reagents such as Diagnostic Kit for IgM/IgG Antibody to Coronavirus (SARS-CoV-2) (Lateral Flow) (新型冠狀病毒(2019-nCoV) IgM/IgG 抗體檢測試劑盒(膠體金法)), Rapid Test for Mycoplasma Pneumoniae IgM Antibody (Lateral Flow) (肺炎支原體 IgM 抗體檢測試劑(膠體金法)) and Diagnostic Kit for Human Immunodeficiency Virus Antibody (ELISA) (人類免疫缺陷病毒抗體診斷試劑盒(酶聯免疫法)).

In 2021, the Group consistently adhered to the mission of “prioritizing the quality of life of the patients” and the vision of “becoming a leading pharmaceutical enterprise within the industry”, by responding actively to policy changes in the industry, increasing R&D efficiency steadily and deepening market promotions continuously, and achieved better growth in the principal businesses. During the Year, the Group recorded an operating income of RMB12,063.86 million, representing an increase of 14.67% as compared with RMB10,520.41 million of the Previous Year, and a net profit attributable to Shareholders of the Company of RMB1,775.68 million, representing an increase of 3.54% as compared with RMB1,714.91 million of the Previous Year. Excluding extraordinary gains and losses, the Company’s net profit attributable to its Shareholders generated from principal businesses in 2021 was RMB1,627.05 million, representing an increase of 13.66% as compared with RMB1,431.55 million of the Previous Year.

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

In 2021, the progress of major tasks in various business segments of the Group was set out as follows:

(1) Chemical drug preparations

During the Year, the Group realized sales revenue of RMB7,224.42 million from chemical drug preparation products, representing a year-on-year increase of 33.71% and accounting for 60.56% of the Group's income from principal businesses for the Year. Among which, the Ilaprazole (艾普拉唑) series product, an innovative drug, and Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球), a high-barrier complex drug preparation, maintained a high growth, and the contribution of which to the operating income and profit further improved.

The Company actively responds to changes in the industry and regards R&D innovation as the foundation of sustainable development. By building a core technology platform and relying on existing R&D advantages, the Company concerns about unmet clinical needs and focuses on assisted reproduction, gastroenterology, psychiatry, anti-tumor and other fields. By adopting the combination of proprietary development and technological introduction to facilitate the efficient implementation of R&D results, rapid development in three areas including innovative drugs, high-barrier complex preparations and consistency evaluation projects have been achieved. In 2021, with close coordination among various departments, significant results have been achieved in the key projects of chemical drugs under development. The specific progress is as follows:

High-barrier complex preparations including microspheres: Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) (1-month sustained-release) completed phase III clinical study and submitted the production registration; Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) (1-month sustained-release) completed phase I single-dose clinical study, and conducted multiple-dose clinical studies; Octreotide Acetate Microspheres for Injection (注射用醋酸奥曲肽微球) conducted BE pre-test; Triptorelin Pamoate Microspheres for Injection (注射用雙脛萘酸曲普瑞林微球) (3-month sustained-release) and Alarelin Microspheres for Injection (注射用丙氨瑞林微球) (1-month sustained release) obtained the clinical trial notices. In addition, exploratory R&D of novel sustained-release technologies such as in-situ gel liquid crystal system technology and drug-loadable embolic microspheres have been advanced.

Other key projects under research: Cetrorelix Acetate for Injection (注射用醋酸西曲瑞克) submitted registration in China and the United States, and was approved for market launch by the National Medical Products Administration in December 2021; Blonanserin Tablets (布南色林片) and Lurasidone Hydrochloride Tablets (鹽酸魯拉西酮片) have completed BE studies, pending for production application; the innovative anti-tumor drug LZ001 project submitted the clinical study application (IND) in December 2021.

Key consistency evaluation projects: Omeprazole Sodium for Injection (注射用奧美拉唑鈉) and Fluvoxamine Maleate Tablets (馬來酸氟伏沙明片) have been approved; Cefodizime Sodium for Injection (注射用頭孢地嗪鈉) is in the process of evaluation; Valsartan Capsules (巹沙坦膠囊) had submitted supplementary responses for enquires; Bismuth Potassium Citrate Capsules (枸橼酸鉍鉀膠囊) submitted the application; Rabeprazole Sodium Enteric-coated Tablets (雷貝拉唑鈉腸溶片) have completed process validation and was preparing for BE.

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

(1) Chemical drug preparations *(continued)*

During the Reporting Period, the Group's marketing team actively implemented sales arrangements and intensified the promotion of products and brands: (i) terminal resources were focused, and terminal assessment on KA (Key Account) hospitals, Class 3 hospitals and key Class 2 hospitals was the key assessment direction, assessment of coverage rate and accomplishment rate of core products was enhanced. The coverage rate of core products in hospitals continued to increase during the Reporting Period, and the overall sales revenue of prescription drugs increased significantly compared with the Previous Period; (ii) specialized marketing and meticulous management were strengthened, the sales team of psychiatric specialty was improved continuously, portfolio development strategy was advanced and psychiatric specialty products continued to grow rapidly; (iii) evidence-based and academic-driven marketing was insisted, clinical and pharmaco-economics research of key products in the post-launch stage was proceeded in an orderly manner. During the Reporting Period, key varieties such as the Ilaprazole series (艾普拉唑系列) and Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片) have been included in a number of core guidelines or clinical consensus; (iv) follow-up on the national medical reform policies and measures implemented in various local regions was performed and core work on market access such as medical insurance and tender invitation was solidly completed. The Company's Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) continued to be included in the medical insurance negotiation catalogue of 2021 upon successful subsequent negotiation. The payment limit of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) was adjusted in this national medical insurance negotiation, and the suffix remarks of the Medical Insurance Catalogue were changed from "limited to patients diagnosed with diseases indicated in the insert sheets and subject to fasting or have dysphagia" to "Peptic Ulcer and Bleeding" as set out in the insert sheets, expanding the number people benefitted; (v) promotion layout of OTC products was strengthened, services for patients were deepened, and new medias were used to perform online communication and interactions, the Company's corporate brand image was enhanced and OTC products grew significantly.

In terms of production quality, the Company actively implements the quality values of "scientific compliance, continuous improvement, pursuit of superior quality, and commitment to providing patients with high-quality products" to continuously improve the level of quality management. In 2021, the Company strengthened EHS (Environment, Health and Safety) compliance management, promoted the construction of safety culture, thus the safe production management standard at all levels and the safe production awareness of all employees were improved. The Company further strengthened drug lifecycle management and drug quality risk management, and with regard to the quality supervision on the CMC (Chemical, Manufacturing and Control) of production and scientific research, adopted a series of inspection modes, including regular audits, special audits, random checks and interactive inspections, and joint supplier audits, which have expanded the scope and depth of inspection. As at 31 December 2021, the Company's quality management head office conducted a total of 39 production and research quality audits and 26 clinical research audits. During the Reporting Period, the quality management system of the Group was further optimized, and the systematic environmental protection and safety risk management were further improved. The overall quality of production and operation was good, without the occurrence of any major quality and safety incidents, environmental protection incidents, safety incidents and occupational health incidents.

In 2021, in terms of international business layout, the Group strengthened the access and promotion of products in the fields including assisted reproduction, antifungal, antiviral and gastroenterology in countries and regions such as Pakistan, Indonesia and the Philippines. Meanwhile, by focusing on areas of competitive strengths, core products, sustained-release microspheres and biopharmaceutical platforms, the Group carried out innovative business cooperation models in core regional markets around the world and signed seven business cooperation agreements involving products which have been launched in the market or are in the process of R&D during the Year. In terms of international registration, in 2021, Kanamycin Solution for Injection (卡那霉素注射液) passed international certification and obtained the WHO pre-qualification certificate, and 2 certificates of international certification were obtained.

II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE YEAR *(continued)***(2) Biologics**

In 2021, the global COVID-19 pandemic continued to spread. During the Reporting Period, LivzonBio, a subsidiary of the Company, focused on promoting the clinical research and industrialization-related work of the Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗) (“V-01”) project. The phase I/II clinical results of V-01 showed that the vaccine has excellent safety and immunogenicity, and LivzonBio subsequently fully pursued the phase III clinical trials overseas: the phase III clinical trials of the primary vaccination proposal have been conducted in Philippines, Indonesia and Russia. The phase III clinical trials of the booster vaccination sequential immunization proposal have been conducted in Pakistan and Malaysia. At the same time, according to the global trend of COVID-19 pandemic and the prevalence of COVID-19 variants, LivzonBio has developed a variety of variant vaccines and carried out relevant studies on booster/sequential immunization on animals and clinical trials. The vaccine commercialization workshop has completed construction and was put into use. As the Group’s first product to conduct the phase III global multi-center clinical trials, the smooth progress of V-01’s phase III clinical trials has also accumulated richer resources and experience in organizational management, partnerships, team capabilities and registration applications for the internationalization of the Group’s innovative drugs and the launch of global multi-center clinical trials for more drugs.

On the other hand, LivzonBio continues to focus on new molecules, new targets and differentiated molecular designs in the fields of oncology, autoimmune diseases and assisted reproduction. During the Reporting Period, the following projects of biologics have achieved phase progress in R&D: Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素) was approved for market launch as the first domestic generic drug and has started sales; the BLA application of Tocilizumab Solution for Injection (托珠單抗注射液) (i.e. Recombinant Humanized Anti-human IL-6R Monoclonal Antibody Solution for Injection (重組人源化抗人IL-6R單克隆抗體注射液)) was accepted by CDE (Center for Drug Evaluation under the National Medical Products Administration); 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) completed enrollment of the Ib clinical trial; Recombinant Human Follitropin Alfa Solution for Injection (重組人促卵泡激素注射液) was approved for clinical trials, and has initiated the phase I clinical studies.

During the Reporting Period, Livzon MAB (a subsidiary of LivzonBio) and Bright Peak Therapeutics, Inc., an American company, signed a licensing cooperation agreement on the 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) project, which will provide more opportunities for further commercialization in future.

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

(3) APIs and intermediates

In 2021, the API business department adhered to the guiding ideology of “securing safety and environmental protection, ensuring quality, reducing costs, and grabbing the market”, and continued to strengthen its efforts in various aspects of work on EHS, quality, R&D, production and sales. During the Year, the Group realized sales revenue of RMB2,908.74 million from APIs and intermediates products, representing a year-on-year increase of 19.20%, and accounting for 24.39% of the Group’s income from principal businesses for the Year.

In terms of marketing, the Company has increased the market development efforts for high-end antibiotic API products and high-end pet drugs, and has strengthened the registration tasks in other overseas markets such as the United States and Europe. Especially, high-end antibiotic products such as Vancomycin (萬古霉素), Teicoplanin (替考拉寧), Daptomycin (達托霉素) and Colistin Methane Sulfonate (黏菌素甲烷磺酸鈉) recorded strong growth in overseas markets. High-end pet drug products have strengthened cooperation with major animal healthcare companies globally, with significant growth in sales volume in many regions around the world, and the market development of new products was progressing smoothly. High-end antibiotics, high-end pet drugs and pharmaceutical intermediate products have become absolutely the major contributing forces to the net profit of the API segment, with a strong rising trend.

During the Year, the Company’s R&D work in the field of APIs was classified and adjusted, focusing on the launching of R&D products. (i) For R&D of fermentation API products, Jiaozuo Joincare and Xinbeijiang Pharmaceutical jointly invested and established 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), focusing on the intensive R&D of bio-fermentation products; (ii) for R&D of synthetic API products, the Group mainly focused on the implementation of process optimization and production verification of high-end pet drugs, such as Fluralaner (氟雷拉納), while initiating the R&D of two new proprietary projects of Lana (拉納) products; (iii) for R&D of animal healthcare products, the Group currently has commenced a total of 24 registration applications of varieties, formation of research projects and GMP certification, while initiating the R&D of spray preparation, such as Moxidectin (莫西克汀) for large animals and the introduction of external new products.

During the Year, the API business department of the Company continued to lay a solid foundation for environmental protection and safety, improved the quality research of existing products and optimized production processes. While promoting normalization of GMP, each of our production enterprises were actively promoting international certification: In 2021, 3 products were registered internationally which mainly include: Daptomycin (達托霉素) was approved for registration in Portugal, Japan, India, Singapore, Brazil and South Africa; Ceftriaxone Sodium (頭孢曲松鈉) was approved for registration in Pakistan, East Africa, Colombia and Vietnam. As at 31 December 2021, a total of 28 API products of the Group had completed 104 registrations in 56 overseas countries/regions. As at 31 December 2021, 17 of the Group’s API varieties have passed on-site inspections for international certification, and the Group’s APIs have obtained 49 certificates of international certification within the validity period (of which 4 varieties have passed FDA on-site inspections and 12 varieties have obtained CEP certificates) and 2 qualification certificates.

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

(4) Traditional Chinese Medicine Preparations

During the Year, the Group realized sales revenue of RMB1,070.86 million from the traditional Chinese medicine (“TCM”) preparation products, representing a year-on-year decrease of 11.30%, accounting for 8.98% of the Group’s income from principal businesses for the Year.

At the end of 2021, the National Healthcare Security Administration and the State Administration of Traditional Chinese Medicine jointly issued the Guiding Opinions on Medical Insurance Supporting the Inheritance and Innovative Development of Traditional Chinese Medicine, aiming to further increase support for the inheritance and innovative development of TCM. Over the years, the Company has accumulated significant advantages in R&D, cultivation, production and sales of exclusive varieties and therapeutic advantages in TCM. The Company currently has 86 approvals for TCMs, of which 21 are exclusive varieties. The products cover departments for the areas of multiple clinical frequent diseases such as oncology (Shenqi Fuzheng Injection (參芪扶正注射液)), respiration (Anti-viral Granules (抗病毒顆粒)), pediatrics (Jingfu Antipruritic Granules (荆膚止癢顆粒)), stomatology (Stomatitis Granules (口炎顆粒)) and geriatrics (Jiuweiyinao Granules (九味益腦顆粒)) on which TCM has treatment advantages, forming a relatively rich product pool.

In 2021, both “Technology Invention of Anti-viral Granules against Emerging Infectious Diseases” and “Innovative Technology of Shenqi Fuzheng Injection to Improve the Quality of Life of Cancer Patients” won the Gold Medal at the 48th Geneva International Invention Fair. Shenqi Fuzheng Injection (參芪扶正注射液) won the First Prize of “Invention and Entrepreneurship Award – Innovation Award” presented by China Association for Invention and Research for its “Technological Innovation R&D of Large Volume Injection of Traditional Chinese Medicine and Its Studies on Application in Adjuvant Tumor Therapy”. Anti-viral Granules (抗病毒顆粒) were selected into the “Top 10 List of Evidence Index for Clinical Evidence-based Evaluation of Chinese Patent Drugs (Influenza)” by the 13th Healthy China Forum, the “Expert Consensus on Prevention and Treatment of Influenza in Children with Integrated Traditional Chinese and Western Medicine” jointly issued by Chinese Association of Integrative Medicine and Chinese Association of Traditional Chinese Medicine, and the “Proposal for Prevention of COVID-19 in Sichuan Province with Traditional Chinese Medicine” issued by the People’s Government of Sichuan Province.

During the Reporting Period, the Company improved the clinical evidence-based medical research evidence of Shenqi Fuzheng Injection (參芪扶正注射液), strengthened its academic promotion, focused on the field of oncology treatment, and expanded its coverage to county-level medical institutions, resulting in a significant increase in sales revenue from grassroots level. The online dissemination of the Anti-viral Granules (抗病毒顆粒) brand continued to increase. Through online communication interaction and the empowerment of chain pharmacies, better promotional effects have been achieved. The promotional efforts of QianLie Suppository (前列安栓) in andrology and urology have been strengthened, and the sales assessment was reinforced.

The Company persists in exploring and researching and developing new TCM compounds based on classic prescriptions with clinical practice, clinical experience of well-known and experienced TCM practitioners, and in-hospital preparations. In 2021, the Company focused on promoting the R&D progress and product layout of new products such as compound new drugs of famous ancient classical TCM, new drugs with improved dosage forms, and class I new drugs of in-hospital TCM preparations, as well as the construction of herbal plantation base of marketed products, filing of changes in technical process and research work such as technological advancement.

During the Reporting Period, the Company used its own funds of RMB724 million to acquire 44 million shares of Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) (“Tianjin Tongrentang”) held by Tianjin Tasly Healthcare Industry Investment Partnership (Limited Partnership) (天津天士力健康產業投資合夥企業(有限合夥)), representing 40.00% of the total number of shares of Tianjin Tongrentang, aiming to have certain synergies with Tianjin Tongrentang in terms of the development of TCM business.

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

(5) Diagnostic reagents and equipment

During the Year, the Group's diagnostic reagents and equipment realized sales revenue of RMB723.96 million, representing a year-on-year decrease of 47.64%, and accounting for 6.07% of the Group's income from principal businesses for the Year.

During the Reporting Period, the respiratory product line of Livzon Diagnostics achieved significant year-on-year growth. Many of the other original major product lines have increased at a relatively large level compared with those in 2019 and 2020. In terms of new products in fields such as autoimmune, tuberculosis and molecular diagnostics, Livzon Diagnostics has organized mature teams of sales, marketing and after-sales, established a number of national academic benchmarks and nurtured a group of regional benchmarking customers, and the products were well recognized by customers since their launching in the market for sales.

In 2021, Livzon Diagnostics continued to focus on strategic disease areas and the layout of departments. Based on the Fully-Automatic Multiple Immune Analyzer (磁條碼多重液相芯片) (DLCM, i.e., Digital Liquid Chip Method) technology platform, Autoimmune Hepatitis Antibody Test Kit (Magnetic Barcode Immunofluorescence) (自身免疫性肝病相關自身抗體 7 項檢測試劑盒(磁條碼免疫熒光發光法)) were successfully approved in July 2021, and the autoantibody screening product portfolio was further improved and supplemented. In December 2021, the DLCM system was officially used for routine ANA profile detection in the Laboratory of Rheumatology and Immunology of Peking Union Medical College Hospital, marking that the autoantibody multiple test technology had entered a new era of fully automated, digital and standardized detection. In the field of molecular diagnosis of infectious diseases, three nucleic acid detection products marketed by Livzon Diagnostics passed with full marks in the 2021 inter-laboratory quality evaluation report published by the National Center for Clinical Laboratory (NCCL) in May 2021, with the product quality verified and recognized by the national authoritative institution. In November 2021, the Livzon Diagnostics HIV Loading System was successfully installed and put into use in Wuhan Jinyintan Hospital. The total number of installed sets of this product has exceeded 60 units in just two years, indicating further breakthroughs have been made by the molecular diagnosis products of Livzon Diagnostics in the field of infectious disease detection market. In fighting against the COVID-19 pandemic, Livzon Diagnostics has actively deployed a full line of COVID-19 detection products, namely, Rapid Test for SARS-CoV-2 Antigen (Lateral Flow) (新型冠狀病毒(SARS-CoV-2)抗原檢測試劑盒(乳膠免疫層析法)), Nucleic Acid Test Kit for 2019-nCoV (Real-Time PCR) (新型冠狀病毒(2019-nCoV)核酸檢測試劑盒(PCR-熒光探針法)) and 2019-nCoV Neutralizing Antibody Test (Lateral Flow) (新型冠狀病毒(2019-nCoV)中和抗體檢測試劑(乳膠免疫層析法)), which have successively obtained CE and other overseas access as well as registration in Germany, United Kingdom, Austria, Thailand, Indonesia and other countries, representing our continuous investment in the global frontline against the pandemic. In the field of cutting-edge neurodegenerative diseases, the research project on the "Prediction and Diagnosis Products of Alzheimer's Disease" won the Excellence Award in the 2021 National Disruptive Technology Innovation Competition hosted by the Torch Center of the Ministry of Science and Technology, demonstrating the determination and technological strength of Livzon Diagnostics for making breakthrough and innovation in the landscape of huge unsatisfied needs in an aging society where it operates.

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. Livzon Diagnostics completed the filing for registration of tutoring at the Guangdong CSRC Bureau in November 2020. As at the disclosure date of the Report, Livzon Diagnostics has submitted a total of 5 progress report of tutoring.

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

(6) Commercial Development and Functional Management

While enhancing independent innovation continuously, the Company proactively searched for forefront technologies around the world and opportunities to deploy internationalization of products through various methods including collaborative development and introduction of licensing, and strengthened the capabilities of commercialization and integration. During 2021, the Group accelerated the progress in BD: completion of IND application for a small molecule oncology drug licensed from and cooperated with TYK Medicines, Inc. (浙江同源康醫藥股份有限公司) in December 2012 by the Company; completion of licensing of the transdermal therapeutic system containing Asenapine (阿塞那平透皮產品) from LTS Lohmann Therapie-Systeme AG, a German company, and pre-IND application for the said product; cooperation with Tencent Quantum Lab to conduct research on synthetic gene clusters (BGCs) in the direction of synthetic biology with AI technology. In addition, the Company succeeded in extending its reach to overseas for its products under research. In November 2021, Livzon MAB granted a non-exclusive, royalty-bearing license to Bright Peak Therapeutics, Inc. for the 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 the development of novel PD-1-targeted immune cytokines (PD-1 ICs). Meanwhile, the participation in Round Pre-A equity investment in Beijing Infinite Intelligence Pharmaceutical Technology Co., Ltd. (北京英飛智藥科技有限公司) and Round B financing for Beijing Luzhu Biotechnology Co., Ltd. (北京綠竹生物技術股份有限公司) has facilitated the Group to enrich its industrial deployment and empower its product pipelines. The BD team of the Company actively explored the cutting-edge areas and further collaborated with the in-house R&D team. During the Reporting Period, it furthered the establishment of the internal computational chemistry platform and small molecule innovative drug platform of the Group, assisted in conducting the phase III global multi-center clinical trials of COVID-19 vaccine V-01, and also accumulated richer resources and experience for the subsequent internationalization of innovative drugs of the Company.

The key tasks of the functional management of the Company were set out as follows: First, putting forward higher requirements for sustainable development, the Company formulated the Group's overall carbon emission targets and the "Environmental Management Targets for 2021 to 2025" based on industry characteristics and the State's overall strategic goals and introduced ESG appraisal indicators for our management performance appraisal during the Reporting Period, so as to actively fulfil our social responsibilities; second, formulating the "Implementation Rules of Standard Operation Management for Subsidiaries of Livzon Group (Trial)" to further improve the overall operating efficiency and risk control capabilities and standardize and improve internal control operation and management of the Group; third, improving the organizational structure and institutional settings of the Company and some business units, and exerting more effort on the seeking, training, and promotion of young talents within the Group while recruiting top talents worldwide. During the Reporting Period, the Company introduced talents for all levels of our pharmaceutical research, clinical medicine, domestic and overseas BD and quality management departments, and gradually built a young, professional and globalized workforce; fourth, creating a working atmosphere of "happy life and happy work". The Company and its business units continuously optimizes the working and living facilities and environment of the park and actively organized a series of sports and team building activities; fifth, taking quick response to the emergency of COVID-19 pandemic during the Reporting Period. The Company issued the "Notice on Strengthening Pandemic Prevention and Control" to coordinate the pandemic prevention and control and production and operation work, and held emergency drills for COVID-19 pandemic. At the same time, the Company actively responded to the government's anti-pandemic campaign, and organized multiple vaccinations and nucleic acid tests in Livzon Industrial Park, the headquarter of the Company in Zhuhai.

During the Year, the Company repurchased a total of 10,033,000 H Shares for a total amount of approximately HK\$287 million (excluding transaction costs) under the general mandate to the Board to repurchase H Shares of the Company approved at the general meeting. Among which, the cancellation of 6,628,600 shares was completed on 7 May 2021.

III. ANALYSIS OF CORE COMPETITIVE STRENGTHS

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

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

The Group has strong R&D capabilities and global R&D vision in areas such as chemical and traditional Chinese drug preparation products, biologics and diagnostic reagents, and has established specialized 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 centralized bulk-buying, the Group enjoys unique advantage in terms of APIs and will continue to increase its efforts to integrate API and drug preparation products.

(3) Comprehensive marketing system and professional marketing team

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

(4) Mature quality management system

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

IV. ANALYSIS OF PRINCIPAL BUSINESSES

1. Summary

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

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

Applicable Not applicable

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

3. Segment information

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

4. Income and costs

(1) Composition of principal businesses

Unit: RMB

	2021		2020		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	11,927,981,641.41	100%	10,463,074,011.54	100%	14.00%
By industry					
Pharmaceutical manufacturing industry	11,927,981,641.41	100%	10,463,074,011.54	100%	14.00%
By product					
Chemical drug preparation products					
Gastroenterology products	3,717,909,076.36	31.17%	2,472,033,883.61	23.63%	50.40%
Gonadotropic hormones products	2,453,556,651.61	20.57%	1,911,794,114.07	18.27%	28.34%
Psychiatry products	412,158,371.47	3.45%	277,445,950.86	2.65%	48.55%
Anti-infection products	369,016,400.94	3.09%	382,865,260.29	3.66%	-3.62%
Other products	271,775,940.07	2.28%	358,796,559.14	3.43%	-24.25%
API and intermediate products	2,908,744,977.39	24.39%	2,440,263,424.49	23.32%	19.20%
Traditional Chinese medicine preparation products	1,070,862,073.91	8.98%	1,207,266,790.70	11.54%	-11.30%
Diagnostic reagent and equipment products	723,958,149.66	6.07%	1,382,771,032.90	13.22%	-47.64%
Others	–	–	29,836,995.48	0.28%	-100.00%
By region					
Domestic	10,389,430,628.94	87.10%	8,737,922,577.51	83.51%	18.90%
Overseas	1,538,551,012.47	12.90%	1,725,151,434.03	16.49%	-10.82%
By sales model					
Distribution	8,670,834,076.59	72.69%	7,665,071,228.03	73.26%	13.12%
Direct sales	3,257,147,564.82	27.31%	2,798,002,783.51	26.74%	16.41%

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

4. Income and costs *(continued)*

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

Unit: RMB

	Income from principal businesses	Costs of principal businesses	Gross profit margin	Year-on-year change in income from principal businesses	Year-on-year change in costs of principal businesses	Year-on-year change in gross profit margin
By industry						
Pharmaceutical manufacturing industry	11,927,981,641.41	4,155,936,133.76	65.16%	14.00%	14.42%	Decreased by 0.13 percentage points
By product						
Chemical drug preparation products	7,224,416,440.45	1,509,611,300.15	79.10%	33.71%	24.69%	Increased by 1.51 percentage points
API and intermediate products	2,908,744,977.39	2,047,170,987.65	29.62%	19.20%	23.72%	Decreased by 2.57 percentage points
Traditional Chinese medicine preparation products	1,070,862,073.91	279,945,301.39	73.86%	-11.30%	-13.31%	Increased by 0.61 percentage point
Diagnostic reagent and equipment products	723,958,149.66	319,208,544.57	55.91%	-47.64%	-22.92%	Decreased by 14.14 percentage points
By region						
Domestic	10,389,430,628.94	3,179,959,095.23	69.39%	18.90%	16.71%	Increased by 0.57 percentage points
Overseas	1,538,551,012.47	975,977,038.53	36.57%	-10.82%	7.55%	Decreased by 10.83 percentage points
By sales model						
Distribution	8,670,834,076.59	1,992,934,881.12	77.02%	13.12%	9.29%	Increased by 0.81 percentage points
Direct sales	3,257,147,564.82	2,163,001,252.64	33.59%	16.41%	19.59%	Decreased by 1.77 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

(3) Income from principal businesses by region

Unit: RMB

Regions	Amount for the Year		Amount for Previous Year	
	Income from principal businesses	Costs of principal businesses	Income from principal businesses	Costs of principal businesses
Domestic	10,389,430,628.94	3,179,959,095.23	8,737,922,577.51	2,724,751,497.10
Overseas	1,538,551,012.47	975,977,038.53	1,725,151,434.03	907,455,684.16
Total	11,927,981,641.41	4,155,936,133.76	10,463,074,011.54	3,632,207,181.26

IV. ANALYSIS OF PRINCIPAL BUSINESSES (continued)**4. Income and costs** (continued)**(4) Whether income generated from physical sales is greater than the income generated by rendering services**✓ Yes No

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

(5) Execution of major sales contracts entered into by the Company as at the End of the Year Applicable Not applicable**(6) Composition of operating costs**

Unit: RMB

By industry	Item	2021		2020		Year-on-year change
		Amount	As a percentage of operating costs	Amount	As a percentage of operating costs	
Pharmaceutical industry	Costs of materials	2,625,844,218.91	61.74%	2,535,640,378.38	69.02%	3.56%
	Labor costs	444,280,185.76	10.45%	384,208,335.33	10.46%	15.64%
	Depreciation	241,309,017.51	5.67%	211,790,804.86	5.77%	13.94%
	Energy and power	295,022,991.08	6.94%	275,246,046.30	7.49%	7.19%
	Others	810,799,942.09	19.06%	601,773,829.98	16.38%	34.73%
	Movements in inventories from the Beginning of the Period to the End of the Period	-164,168,870.90	-3.86%	-334,948,621.17	-9.12%	-50.99%
	Total operating costs	4,253,087,484.45	100.00%	3,673,710,773.68	100.00%	15.77%

(7) Changes in the consolidation scope during the Reporting Period✓ Yes No

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

(8) Material changes or adjustments in the business, products or services of the Company during the Year Applicable Not applicable

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)***4. Income and costs** *(continued)***(9) Major customers and major suppliers**

During the Year, sales to the five largest customers accounted for 8.78% (2020: 8.09%) of the income generated from the principal businesses of the Group, while purchases from the five largest suppliers accounted for approximately 29.10% (2020: 27.36%) of the Group's total purchases of raw materials. The five largest customers have been customers of the Group for 13 years on average, and the five largest suppliers have been suppliers of the Group for 9.6 years on average.

Major customers of the Company for the Year

Total sales to the five largest customers (RMB)	1,046,705,408.74
Total sales to the five largest customers as a percentage of the total sales for the Year	8.78%
Sales to related parties in the sales to the five largest customers as a percentage of the total sales for the Year	–

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

Applicable Not applicable

No.	Name of customer	Amount of sales (RMB)	As a percentage of the total amount of sales for the Year
1	First	262,829,619.87	2.20%
2	Second	206,745,683.24	1.73%
3	Third	202,032,142.28	1.69%
4	Fourth	193,385,583.70	1.62%
5	Fifth	181,712,379.65	1.52%
Total		1,046,705,408.74	8.78%

Other information about major customers

Applicable Not applicable

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

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)***4. Income and costs** *(continued)***(9) Major customers and major suppliers** *(continued)***Major suppliers of the Company for the Year**

Total purchases from the five largest suppliers (RMB)	780,909,168.44
Total purchases from the five largest suppliers as a percentage of the total purchases for the Year	29.10%
Purchases from related parties in the purchases from the five largest suppliers as a percentage of the total purchases for the Year	7.74%

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	207,819,120.81	7.74%
2	Second	183,824,247.72	6.85%
3	Third	164,016,539.80	6.11%
4	Fourth	148,250,781.93	5.52%
5	Fifth	76,998,478.18	2.87%
Total		780,909,168.44	29.10%

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

Other information about major suppliers

✓ Applicable Not applicable

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

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

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

5. Expenses

During the Year, four types of expenses incurred by the Group, including selling expenses, administrative expenses, R&D expenses and finance expenses, amounted to RMB5,623.72 million in total, representing an increase of RMB1,103.10 million or 24.40% year-on-year. Details are as follows:

Unit: RMB

Item	2021	2020	Year-on-year change	Reasons for material changes
Selling expenses	3,883,874,503.06	3,075,868,822.02	26.27%	No material changes
Administrative expenses	664,181,161.91	664,290,132.84	-0.02%	No material changes
Finance expenses	-70,040,758.57	-103,638,803.65	32.42%	Mainly due to the increase in interest expenditure in line with the increase in loans.
R&D expenses	1,145,702,329.81	884,095,367.52	29.59%	No material changes
Total	5,623,717,236.21	4,520,615,518.73	24.40%	—

During the Year, the total income tax expenses were RMB293.59 million, representing a decrease of RMB64.52 million or a decline of 18.02% year-on-year, which was mainly due to a decrease in the amount of total profit resulting in a corresponding decrease in the provision for income tax expenses.

6. Investment in research and development

Applicable Not applicable

During the Year, the Group's total expenditure relating to R&D amounted to approximately RMB1,523.26 million (2020: RMB989.59 million), representing a year-on-year increase of 53.93%. The amount accounted for approximately 11.71% of the net assets attributable to Shareholders of the Company and approximately 12.63% (2020: 9.41%) of the Group's total operating income for the Year.

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

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

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

(1) Chemical drug preparations

High-barrier complex preparations including microspheres: there were a total of 7 projects under research, among which 1 project completed the phase III clinical trial and received the acceptance notice for production application, 1 project was under the phase I clinical trial, 2 projects were under the BE pre-trial, and 2 projects obtained approvals for clinical trial. Among which, after Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) (1-month sustained release) completed the phase III clinical trial, it had submitted the application for production registration, and received the acceptance notice for production application in September 2021; Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) was in the phase I clinical trial, completed the single-dose study and was undergoing the multiple-dose clinical trials; Octreotide Acetate Microspheres for Injection (注射用醋酸奥曲肽微球) started BE pre-trial; Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) (3-month sustained release) was under the BE pre-trial; Triptorelin Pamoate Microspheres for Injection (注射用雙脛萘酸曲普瑞林微球) (3-month sustained release) and Alarelin Microspheres for Injection (注射用丙氨瑞林微球) (1-month sustained release) received notices of approval for clinical trials, and were actively preparing to commence the relevant work of clinical trials.

Other projects under research: there were a total of 22 projects under research, among which 3 projects applied for production, 5 projects were under clinical trials/BE studies. Among which, Cetrorelix Acetate for Injection (注射用醋酸西曲瑞克) applied for registration in China and the United States, and was approved by National Medical Products Administration of the PRC in December 2021; Blonanserin Tablets (布南色林片) and Lurasidone Hydrochloride Tablets (鹽酸魯拉西酮片) completed BE studies and were pending for production approvals; LZ001 project of innovative anti-tumor drugs submitted an Investigational New Drug (IND) application in December 2021.

Consistency evaluation: there were a total of 18 projects under research, of which 4 projects obtained approvals, 9 projects had made application and were under evaluation, 1 project had completed technical process verification and 1 project was under BE study. Among which, Omeprazole Sodium for Injection (注射用奧美拉唑鈉) and Fluvoxamine Maleate Tablets (馬來酸氟伏沙明片) obtained approval; Cefodizime Sodium for Injection (注射用頭孢地嗪鈉) was under evaluation; Valsartan Capsules (纈沙坦膠囊) has submitted supplementary responses for enquires; Bismuth Potassium Citrate Capsules (枸橼酸鉍鉀膠囊) has submitted the application; Rabeprazole Sodium Enteric-Coated Tablets (雷貝拉唑鈉腸溶片) has completed technical process verification and was preparing for BE.

(2) Biologics

There were a total of 8 projects under research, of which 1 project was marketed, 1 project had applied for production, 1 project was under the phase III clinical trial, 2 projects were under the phase Ib/II clinical trial, and 2 projects were under the phase I clinical trial. Among which, Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素) obtained approval for launch in domestic market; the application for production of Tocilizumab Solution for Injection (托珠單抗注射液) was submitted and accepted; Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗) will complete the patient enrollment for phase III clinical trial soon; Recombinant Humanized Anti-PD-1 Monoclonal Antibody for Injection (注射用重組人源化抗PD-1單克隆抗體) and Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody Injection (重組抗人IL-17A/F人源化單克隆抗體注射液) were under the phase Ib/II clinical trial; Recombinant Tumor Enzyme Specific Interferon α -2b Fc Fusion for Injection (注射用重組腫瘤酶特異性干擾素 α -2b Fc 融合蛋白) and Recombinant Human Follitropin Alfa Solution for Injection (重組人促卵泡激素注射液) were under the phase I clinical trial.

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

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

(3) APIs and intermediates

There were a total of 6 projects under research. Among which, Dalbavancin (達巴萬星) completed the manufacturing process validation, and Fluralaner (氟雷拉納) planned to carry out the manufacturing process validation.

(4) Diagnostic reagents and equipment

There were a total of 49 projects under research and 7 projects under the clinical trials. In regard to the R&D platform of diagnostic reagents, 4 products including Diagnostic Kit for IgM Antibody to SARS-CoV-2 (ELISA) (新型冠狀病毒(2019-nCoV)IgM 抗體檢測試劑盒(酶聯免疫法)) (Class III), Autoimmune Hepatitis Antibody Test Kit (Magnetic Barcode Immunofluorescence) (自身免疫性肝病相關自身抗體 7 項檢測試劑盒(磁條碼免疫熒光發光法)) (Class II), Diagnostic Kit for IgM Antibody to Mycoplasma Pneumonia (Chemiluminescence Immunoassay) (肺炎支原體 IgM 抗體檢測試劑盒(化學發光法)) (Class III) and Dry Method Immunofluorescence Analyzer (乾式免疫熒分析儀) completed registration in the PRC; 7 projects including 4 diabetes projects, IgG4, Diagnostic Kit for IgM Antibody to Mycoplasma Pneumoniae (Chemiluminescence Immunoassay) (肺炎支原體 IgM(化學發光)), Rapid Test for Influenza A/B Antigen (Lateral Flow) (甲型乙型流感抗原膠體金) entered clinical trials, of which IgG4 and Diagnostic Kit for IgM Antibody to Mycoplasma Pneumoniae (Chemiluminescence Immunoassay) (肺炎支原體 IgM(化學發光)) completed clinical trials and were in the process of registration submission. In regard to the equipment R&D platform, the Multi-channel Dry Method Immunofluorescence Analyzer (多通道干式熒光免疫分析儀) completed registration in the PRC, and second generation model of X-ray blood irradiator (輻照儀) and Molecular all-in-one Machine (分子一體機) entered the stage of trial production.

R&D staff

	2021	2020	Change
Number of R&D staff (persons)	936	911	2.74%
Proportion of R&D staff to total number of employees	10.91%	10.89%	Increased by 0.02 percentage points
Education composition of R&D staff			
Undergraduate and below	609	600	1.50%
Postgraduate	287	258	11.24%
Doctor	40	53	-24.53%
Age composition of R&D staff			
Below 30 years old	509	486	4.73%
30~40 years old	334	333	0.30%
40~50 years old	73	74	-1.35%
Over 50 years old	20	18	11.11%

Investment in R&D

	2021	2020	Change
Amount of investment in R&D (RMB)	1,523,255,721.85	989,591,702.94	53.93%
Proportion of R&D investment to operating income	12.63%	9.41%	Increased by 3.22 percentage points
Amount of capitalized R&D investment (RMB)	377,553,392.04	105,496,335.42	257.88%
Proportion of capitalized R&D investment to total investment in R&D	24.79%	10.66%	Increased by 14.13 percentage points

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)***6. Investment in research and development** *(continued)***Reasons for and impact of the material change in the composition of R&D staff**

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

The substantial change in the proportion of capitalized R&D expenditure to R&D investment was mainly due to an increase in the amount of R&D investment in the phase III clinical trials conducted overseas for the "Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠状病毒融合蛋白疫苗)" project.

V. ANALYSIS OF NON-PRINCIPAL BUSINESSES

Applicable Not applicable

Unit: RMB

Item	Amount	As a percentage of total profits	Reasons for occurrence	Sustainability
Investment income	89,624,998.41	3.99%	Mainly due to changes in profit and loss from investments in associates and gains generated upon expiration of forward foreign exchange contracts.	No
Gains or losses arising from changes in fair value	-23,027,244.25	-1.03%	Mainly due to fluctuations in the market value of subject securities investment held.	No
Asset impairment	-56,777,500.66	-2.53%	Mainly due to impairment provisions for inventories.	No
Non-operating income	6,885,107.15	0.31%	Mainly due to income on disposal of obsolete.	No
Non-operating expenditure	28,186,272.24	-1.26%	Mainly due to donation payments and loss on scrapping of fixed assets.	No
Other income	208,042,576.09	9.26%	Mainly due to the government subsidies received.	Yes

VI. ANALYSIS OF FINANCIAL CONDITIONS

1. Material changes in asset composition

Unit: RMB

Item	At the end of 2021		At the end of 2020			Reason for material changes
	Amount	As a percentage of total assets	Amount	As a percentage of total assets	Increase/decrease in proportion	
Cash at bank and on hand	9,146,373,455.01	40.88%	9,953,747,563.47	48.34%	-7.46%	No material changes
Accounts receivable	1,951,898,111.20	8.72%	1,743,148,037.38	8.47%	0.25%	No material changes
Contract assets	–	–	–	–	–	–
Inventories	1,663,227,968.17	7.43%	1,487,796,389.98	7.23%	0.20%	No material changes
Investment properties	–	–	–	–	–	–
Long-term equity investments	1,064,968,250.00	4.76%	245,115,479.10	1.19%	3.57%	No material changes
Fixed assets	3,669,728,093.97	16.40%	3,303,077,566.22	16.04%	0.36%	No material changes
Construction in progress	554,575,587.48	2.48%	385,700,738.39	1.87%	0.61%	No material changes
Right-of-use assets	14,588,322.60	0.07%	18,311,378.07	0.09%	-0.02%	No material changes
Short-term loans	2,043,048,023.71	9.13%	1,550,942,804.06	7.53%	1.60%	No material changes
Contract liabilities	167,796,768.82	0.75%	104,445,427.26	0.51%	0.24%	No material changes
Long-term loans	636,780,252.78	2.85%	360,324,027.48	1.75%	1.10%	No material changes
Lease liabilities	5,274,240.80	0.02%	10,099,025.42	0.05%	-0.03%	No material changes

High proportion of overseas assets

Applicable Not applicable

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)***2. Assets and liabilities measured at fair value**✓ Applicable Not applicable*Unit: RMB*

Item	At the Beginning of the Year	Gain or loss on change in fair value for the Year	Accumulated changes in fair value in equity	Impairment provision for the Year	Amount sold during the Year	Amount sold during the Year	At the End of the Year
Financial assets							
1. Financial assets held for trading (excluding derivative financial assets)	15,261,152.77	-17,671,768.29	-	-	197,530,071.41	17,857,439.90	177,262,015.99
2. Derivative financial assets	10,723,724.36	-5,212,385.79	-	-	-	-	5,511,338.57
3. Other debt investments	-	-	-	-	-	-	-
4. Other equity instrument investments	742,974,792.15	-	-122,163,950.68	-	43,770,898.28	34,667,195.38	629,914,544.37
Subtotal of financial assets	768,959,669.28	-22,884,154.08	-122,163,950.68	-	241,300,969.69	52,524,635.28	812,687,898.93
Investment properties	-	-	-	-	-	-	-
Productive biological assets	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Total	768,959,669.28	-22,884,154.08	-122,163,950.68	-	241,300,969.69	52,524,635.28	812,687,898.93
Financial liabilities	212.07	-143,090.17	-	-	-	-	143,302.24

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 RMB274.6055 million. The balance of the actual deposits paid by the Company and its subsidiaries for the businesses such as letters of guarantee was RMB1.0938 million.

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)***4. Material changes in consolidated balance sheet items**

Item	<i>Unit: RMB</i>		
	31 December 2021	31 December 2020	Year-on-year change
Financial assets held for trading	182,773,354.56	25,984,877.13	603.38%
Prepayments	281,083,347.36	142,174,129.24	97.70%
Other receivables	47,768,970.54	74,284,405.28	-35.69%
Non-current assets due within one year	317,381.23	11,414,376.07	-97.22%
Other current assets	57,624,626.16	39,862,609.49	44.56%
Long-term equity investments	1,064,968,250.00	245,115,479.10	334.48%
Construction in progress	554,575,587.48	385,700,738.39	43.78%
Development expenditure	574,499,574.42	251,389,209.57	128.53%
Other non-current assets	444,352,845.12	316,505,551.82	40.39%
Short-term loans	2,043,048,023.71	1,550,942,804.06	31.73%
Contract liabilities	167,796,768.82	104,445,427.26	60.65%
Taxes payables	160,385,251.99	248,815,907.94	-35.54%
Other current liabilities	13,485,363.41	6,267,034.79	115.18%
Long-term loans	636,780,252.78	360,324,027.48	76.72%
Lease liabilities	5,274,240.80	10,099,025.42	-47.77%
Treasury shares	71,209,491.00	250,061,413.16	-71.52%
Other comprehensive income	46,548,997.70	169,983,800.56	-72.62%

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

- (1) Financial assets held for trading recorded a year-on-year increase of 603.38%, which was mainly due to the fact that the Company was allocated the shares of Beam Therapeutics Inc. (NASDAQ: BEAM) originally held by SCC VENTURE VII 2018-C, L.P. pursuant to the investment agreement, as a result of the deregistration of SCC VENTURE VII 2018-C, L.P. in which the Company made investment.
- (2) Prepayments recorded a year-on-year increase of 97.70%, which was mainly due to the increase in procurement amounts prepaid for raw materials.
- (3) Other receivables recorded a year-on-year decrease of 35.69%, which was mainly due to the amount for the transfer of equity interest in Sanmed Gene during the Previous Year was received during the Year.
- (4) Non-current assets due within one year recorded a year-on-year decrease of 97.22%, which was mainly due to the receipt of the consideration for the transfer of equity interest in an invested company.
- (5) Other current assets recorded a year-on-year increase of 44.56%, which was mainly due to the value-added tax credits and the increase in advance payment of enterprise income tax.

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)***4. Material changes in consolidated balance sheet items** *(continued)*

- (6) Long-term equity investments recorded a year-on-year increase of 334.48%, which was mainly due to the acquisition of 40% equity interest in Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司).
- (7) Construction in progress recorded a year-on-year increase of 43.78%, which was mainly due to the investment in the construction of new plant and workshop by part of subsidiaries.
- (8) Development expenditure recorded a year-on-year increase of 128.53%, which was mainly due to an increase in R&D expenses investment in the overseas phase III clinical trials of a project researched and developed by a subsidiary.
- (9) Other non-current assets recorded a year-on-year increase of 40.39%, which was mainly due to the increase in prepayment for project and equipment.
- (10) Short-term loans recorded a year-on-year increase of 31.73%, which was mainly due to the new bank loans borrowed by a subsidiary.
- (11) Contract liabilities recorded a year-on-year increase of 60.65%, which was mainly due to the increase in contract amounts received in advance.
- (12) Taxes payables recorded a year-on-year decrease of 35.54%, which was mainly due to the decrease in enterprise income tax payable.
- (13) Other current liabilities recorded a year-on-year increase of 115.18%, which was mainly due to the increase in contract amounts received in advance which resulted in the corresponding increase in pending output tax.
- (14) Long-term loans recorded a year-on-year increase of 76.72%, which was mainly due to new bank borrowings.
- (15) Lease liabilities recorded a year-on-year decrease of 47.77%, which was mainly due to the decrease in the lease payable over a year.
- (16) Treasury shares recorded a year-on-year decrease of 71.52%, which was mainly due to the completion of cancellation of the repurchased shares.
- (17) Other comprehensive income recorded a year-on-year decrease of 72.62%, which was mainly due to the disposal of investments in other equity instruments, so that other comprehensive income recognized in prior periods were transferred into retained earnings.

Asset-liability ratio

The asset-liability ratios of the Group as at 31 December 2021 and 31 December 2020 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 33.76% as at 31 December 2020 to 36.03% as at 31 December 2021.

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

5. Material changes in consolidated income statement items

Item	<i>Unit: RMB</i>		
	The Year	The Previous Year	Year-on-year change
Finance expenses	-70,040,758.57	-103,638,803.65	32.42%
Investment income	89,624,998.41	147,628,336.17	-39.29%
Gains from changes in fair value	-23,027,244.25	8,806,719.32	-361.47%
Credit impairment loss	-7,537,023.14	-1,279,991.91	488.83%
Gains from disposal of assets	7,034,712.12	-1,072,396.76	755.98%
Non-operating expenditure	28,186,272.24	19,205,699.23	46.76%
Profit and loss attributable to minority interest	176,417,917.92	416,416,316.14	-57.63%
Other comprehensive net income after taxation	-117,203,117.54	141,385,462.11	-182.90%

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

- (1) Finance expenses recorded a year-on-year increase of 32.42%, which was mainly due to the increase in interest expenditure in line with the increase in loans.
- (2) Investment income recorded a year-on-year decrease of 39.29%, which was mainly due to the gains generated 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) in the Previous Year.
- (3) Gains from changes in fair value recorded a year-on-year decrease of 361.47%, which was mainly due to the fluctuations in the market value of the subjects of the security investment held.
- (4) Credit impairment loss recorded a year-on-year increase of 488.83%, which was mainly due to the increase in account receivables which resulted in the corresponding increase in expected credit loss.
- (5) Gains from disposal of assets recorded a year-on-year increase of 755.98%, which was mainly due to the gains generated from disposal of fixed assets.
- (6) Non-operating expenditure recorded a year-on-year increase of 46.76%, which was mainly due to the expenditure on charitable donation in the Year.
- (7) Profit and loss attributable to minority interest recorded a year-on-year decrease of 57.63%, which was mainly due to less overall profit generated from non-wholly owned subsidiaries during the Year as compared with the Previous Period such that the profit and loss attributable to minority interest decreased accordingly.
- (8) Other comprehensive net income after taxation recorded a year-on-year decrease of 182.90%, which was mainly due to the disposal of other equity instrument investments in the Year through transferring the other comprehensive income recognized by it in the previous period into retained earnings.

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)***6. Material changes in consolidated cash flow items**

Item	<i>Unit: RMB</i>		
	The Year	The Previous Year	Year-on-year change
Subtotal of cash outflow from investing activities	2,098,171,682.50	780,087,703.95	168.97%
Net cash flow from investing activities	-1,876,900,322.50	-467,844,014.98	-301.18%
Subtotal of cash inflow from financing activities	3,599,417,401.77	2,743,623,070.34	31.19%
Subtotal of cash outflow from financing activities	4,414,434,906.93	3,261,665,486.58	35.34%
Net cash flow from financing activities	-815,017,505.16	-518,042,416.24	-57.33%
Effect of changes in foreign exchange rates on cash and cash equivalents	-37,150,333.33	-77,010,038.66	51.76%
Net increase in cash and cash equivalents	-826,740,021.96	1,097,864,136.54	-175.30%

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

- (1) Subtotal of cash outflow from investing activities recorded a year-on-year increase of 168.97%, which was mainly due to the payment of consideration for the acquisition of equity interest in Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) and the increase in investment for construction of new plants and workshops of some subsidiaries.
- (2) Net cash flow from investing activities recorded a year-on-year decrease of 301.18%, which was mainly due to the payment of consideration for the acquisition of equity interest in Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) and the increase in investment for construction of new plants and workshops of some subsidiaries.
- (3) Subtotal of cash inflow from financing activities recorded a year-on-year increase of 31.19%, which was mainly due to the increase in bank borrowings as compared with the Previous Period and and the capital flow in respect of the reorganization of shareholding structures of the controlling subsidiaries of the Company.
- (4) Subtotal of cash outflow from financing activities recorded a year-on-year increase of 35.34%, which was mainly due to the increase in dividend distribution and the capital flow in respect of the reorganization of shareholding structures of the controlling subsidiaries of the Company.
- (5) Net cash flow from financing activities recorded a year-on-year decrease of 57.33%, which was mainly due to the increase in dividend distribution.
- (6) Effect of changes in foreign exchange rates on cash and cash equivalents recorded a year-on-year increase of 51.76%, which was mainly due to the changes in exchange rates resulting in the decrease in exchange losses on cash held in foreign currencies.
- (7) Net increase in cash and cash equivalents recorded a year-on-year decrease of 175.30%, which was mainly due to the payment of consideration for the acquisition of equity interest in Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) and the increase in investment for construction of new plants and workshops of some subsidiaries.

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

Applicable Not applicable

VI. ANALYSIS OF FINANCIAL CONDITIONS (continued)**7. Material changes in the composition or source of profit of the Company for the Reporting Period**

Applicable Not applicable

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

8. Liquidity and financial resources

As at 31 December 2021, the Group's cash at bank and on hand amounted to RMB9,146.37 million (31 December 2020: RMB9,953.75 million), which arose primarily from operating income of the Company and the cash proceeds from financing activities. The amount 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 improve the utilization efficiency of funds to realize value conservation and value appreciation.

During the Year, the credit facilities that may be applied for as approved by the Board and the general meeting of the Company amounted to RMB20,340.00 million and the actual amount of credit facilities applied to banks for use amounted to RMB3,497.06 million.

Unit: RMB

Item	End of the Year (31 December 2021)			End of the Previous Year (31 December 2020)		
	Amount in foreign currency	Conversion rate	Amount in RMB	Amount in foreign currency	Conversion rate	Amount in RMB
Cash on hand:	–	–	194,319.63	–	–	160,781.75
– RMB	–	–	178,450.45	–	–	143,535.86
– USD	700.00	6.3757	4,462.99	700.00	6.5249	4,567.43
– Euro	1,579.87	7.2197	11,406.19	1,579.87	8.025	12,678.46
Bank deposits:	–	–	8,982,580,795.23	–	–	9,860,877,412.96
– RMB	–	–	8,029,040,026.98	–	–	8,962,639,630.48
– HKD	3,689,174.59	0.8176	3,016,269.14	59,024,354.62	0.84164	49,677,257.82
– USD	148,446,729.16	6.3757	946,451,811.10	129,781,661.24	6.5249	846,812,361.44
– JPY	43,429,022.00	0.055415	2,406,619.26	–	0.063236	–
– Euro	75,451.09	7.2197	544,734.23	78,241.56	8.025	627,888.52
– MOP	1,412,971.92	0.7936	1,121,334.52	1,370,869.68	0.8172	1,120,274.70
Other monetary fund:	–	–	143,628,687.38	–	–	92,709,368.76
RMB	–	–	2,134,278.90	–	–	2,930,256.74
HKD	67,295,920.52	0.8176	55,021,144.62	1,614,514.71	0.84164	1,358,840.16
USD	13,562,944.28	6.3757	86,473,263.86	13,551,207.20	6.5249	88,420,271.86
Interest receivable:	–	–	19,969,652.77	–	–	–
RMB	–	–	19,969,652.77	–	–	–
Total	–	–	9,146,373,455.01	–	–	9,953,747,563.47

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

8. Liquidity and financial resources *(continued)*

As at 31 December 2021, the balance of the Group's borrowings amounted to RMB2,679.83 million (31 December 2020: RMB1,911.27 million), accounting for 11.98% of total assets (31 December 2020: 9.28%), of which the balance of short-term borrowings due within one year amounted to RMB2,043.05 million (31 December 2020: RMB1,550.94 million), accounting for 9.13% of the total assets (31 December 2020: 7.53%) and the balance of long-term borrowings due after one year amounted to RMB636.78 million (31 December 2020: RMB360.32 million), accounting for 2.85% of the total assets (31 December 2020: 1.75%). During the Year, the Group's repayment of bank borrowings due amounted to RMB2,033.58 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 2021, Shareholders' equity amounted to RMB14,311.02 million, total liabilities amounted to RMB8,060.89 million and total assets amounted to RMB22,371.91 million. In particular, the Group's current liabilities amounted to RMB6,925.07 million (31 December 2020: RMB6,082.89 million), which increased by 13.85% from the End of the Previous Year; total non-current liabilities amounted to RMB1,135.82 million (31 December 2020: RMB867.84 million), which increased by 30.88% from the End of the Previous Year. During the Year, the Group's repayment of debt amounted to RMB2,033.58 million (The repayment of debt in the Previous Year amounted to RMB1,829.81 million).

As at the End of the Year, equity attributable to Shareholders of the Company amounted to RMB13,003.76 million (31 December 2020: RMB12,107.24 million), which increased by 7.40% from the End of the Previous Year. Minority interests amounted to RMB1,307.26 million (31 December 2020: RMB1,532.84 million), which decreased by 14.72% from the End of the Previous Year.

10. Capital commitments

Capital commitments contracted but not recognized in the financial statements	Balance at the End of the Year	<i>Unit: RMB</i> Balance at the Beginning of the Year
Commitments for purchase and construction of long-term assets	569,039,017.10	621,715,798.13
Commitments for external investment	8,000,000.00	—
Commitments for R&D expenditure	309,313,880.64	—
Total	886,352,897.74	621,715,798.13

11. Interest rate

As at 31 December 2021, the aggregate interest-bearing bank borrowings and other borrowings amounted to RMB2,677.08 million (31 December 2020: RMB1,910.78 million). The interest rate structure: RMB783.87 million bore interest at a floating interest rate and RMB1,893.21 million bore interest at a fixed interest rate of 3.77% per annum.

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)***12. Maturity analysis of outstanding liabilities**

	31 December 2021	<i>Unit: RMB million</i> 31 December 2020
Within one year	3,069.67	2,468.95
1-2 years	–	–
2-5 years	636.78	360.32
Over 5 years	–	–
Total	3,706.45	2,829.27

13. Capital commitments

As at 31 December 2021, the Group's capital commitments contracted in relation to the purchase and construction of long-term assets, external investment and R&D expenditure amounted to RMB886.35 million (31 December 2020: RMB621.72 million).

14. Bank borrowings and other borrowings

Details of the bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2021 are set out in "Note V. 22. Short-term Loans; 32. Long-term Loans" to the financial statements in the Report as prepared in accordance with the China Accounting Standards for Business Enterprises.

15. Gearing ratio

The gearing ratio as at 31 December 2021 and 31 December 2020 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 20.74% as at 31 December 2020 to 25.90% as at 31 December 2021.

16. Interest expenses and capitalization

	2021	<i>Unit: RMB</i> 2020
Interest expenses <i>(Note)</i>	83,997,234.61	25,313,177.20
Capitalized interest	–	–
Total interest expenses	83,997,234.61	25,313,177.20

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.

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)***18. Contingent liabilities**

As at 31 December 2021, the Group had no significant contingent liabilities.

19. Pledge of assets

As at 31 December 2021, the assets of the Company subject to pledge were as follows:

	31 December 2021 <i>(RMB)</i>	Reasons for being subject to restriction
Assets pledged:		
Bills receivable	274,605,538.20	Pledged bills receivables for the bills pooling business
Other monetary funds	1,093,834.12	Deposits for Letters of guarantee and other businesses
Total	275,699,372.32	

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 2021, the amount of bills receivables pledged by the Group to the banks amounted to RMB274.6055 million.

20. Investments**Overall relocation and expansion project of Sichuan Guangda**

On 6 March 2019, after review and approval by the Board of the Company, the Company entered into the "Investment Agreement for the Overall Relocation and Expansion Project of Sichuan Guangda Pharmaceutical Manufacturing" (《四川光大製藥整體搬遷調遷擴建項目投資協議書》) (the "Investment Agreement") and the Supplemental Agreement I with Sichuan Chengdu Pengzhou Municipal People's Government (四川省成都市彭州市人民政府). Pursuant to the Investment Agreement, the Company will inject capital of RMB646 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 2021, the total investment of the specific contracts entered into for the Project amounted to RMB395.5607 million, and the sum of subsidies received from government authorities at various levels amounted to RMB101.1799 million, the construction works for the warehousing system and the QC main body were completed, the construction works for the main body of the extraction workshop and the pre-treatment workshop were implemented, and the foundation construction works for the granulation workshop, the comprehensive preparation workshop and the packaging workshop were implemented, and the overall Project was smooth in progress.

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

20. Investments *(continued)*

Acquisition of 40.00% equity interest in Tianjin Tongrentang

On 22 March 2021, after consideration and approval by the Board, the Company entered into the share transfer agreement in relation to Tianjin Tongrentang Group Co., Ltd. (the "Agreement") with Tianjin Tasly Healthcare Industry Investment Partnership (Limited Partnership)* (天津天士力健康產業投資合夥企業(有限合夥)) ("Tianjin Tasly"), pursuant to which, the Company shall use its own capital of RMB724 million to acquire 44,000,000 shares of Tianjin Tongrentang Group Co., Ltd.* (天津同仁堂集團股份有限公司) ("Tianjin Tongrentang") held by Tianjin Tasly, representing 40.00% of the total number of shares of Tianjin Tongrentang (the "Transaction").

As all applicable percentage ratios under Rule 14.07 of the Hong Kong Listing Rules in relation to the Transaction are respectively less than 5%, the Transaction does not constitute a notifiable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules. Please refer to the voluntary announcement of the Company dated 22 March 2021.

Tianjin Tongrentang is principally engaged in the R&D, production and sales of Chinese patent drugs. Tianjin Tongrentang has a stable operating performance with unique products and promising growth potential. Upon completion of the Transaction, the Company will not only have certain synergy with Tianjin Tongrentang in respect of the development of Chinese medicine business but will also be able to realize the corresponding investment income through cash dividends or initial public offering and listing of Tianjin Tongrentang. After completion of the Transaction, the financial statements of Tianjin Tongrentang will not be consolidated in the Company's financial statements and will only be treated as a long-term equity investment by the Company.

On 27 April 2021, the Company obtained the "Confirmation Letter on Securities Transfer and Registration (《證券過戶登記確認書》)" from China Securities Depository and Clearing Corporation Limited, and the Company has completed the transfer and registration procedures in relation to the Transaction. In addition, according to the terms of the Agreement, the Company had also received the cash dividends for the year 2020 distributed by Tianjin Tongrentang, which amounted to a total of RMB40.04 million.

On 9 March 2021, the Tianjin Securities Regulatory Bureau announced its acceptance of the application for counselling of the initial public offering of its shares (and listing on the ChiNext Board of Shenzhen Stock Exchange).

On 28 June 2021, Tianjin Tongrentang obtained the Notice on the Acceptance of Application Documents of Tianjin Tongrentang Group Co., Ltd. in Connection with the Listing of Shares from Initial Public Offering on the ChiNext Board (Shen Zheng Shang Shen [2021] No.265) from the Shenzhen Stock Exchange.

The Shenzhen Stock Exchange has suspended the review of listing of Tianjin Tongrentang on 26 January 2022, as CSRC has initiated an investigation against ShineWing Certified Public Accountants (Special General Partnership), the accountant engaged by Tianjin Tongrentang for the initial public offering of its shares and listing on the ChiNext Board.

Please refer to the relevant update announcements of the Company dated 27 April 2021, 30 June 2021 and 7 February 2022.

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 2020 annual report of the Company.

VII. 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
886,650,000.00	151,782,886.25	484.16%

2. Material equity investment acquired during the Year

Applicable Not applicable

Unit: RMB

Name of investee	Principal business	Investment method	Investment amount	Percentage of shareholding	Source of funds	Partner(s)	Investment period	Type of products	Status as at sheet date	Expected return	Investment profit or loss for the Year	Litigation involved	Disclosure date (if any)	Disclosure index (if any)
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	Primarily engaged in R&D, production and sales of Chinese patent drugs.	Acquisition	724,000,000.00	40.00%	Self-owned funds	N/A	Long term	Chinese patent drugs	Investment was completed.	-	52,620,894.45	No	See Note 1 for details	See Note 1 for details
Beijing Infinite Intelligence Pharmaceutical Technology Co., Ltd. (北京英飛智藥科技有限公司)	Artificial intelligence empowered drug design.	Capital injection	20,000,000.00	11.7647%	Self-owned funds	Pei Jianfeng and others	Long term	N/A	Investment was completed.	-	-1,199,311.93	No	N/A	N/A
Shanghai Liyu Biopharmaceutical Technology Co., Ltd. (上海麗予生物醫藥技術有限公司)	Technological services, technological development and related business within the scope of pharmaceutical technology.	New Establishment	1,650,000.00	55.00%	Self-owned funds	Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Long term	N/A	Contributed capital amount of RMB990,000.	-	57,422.51	No	N/A	N/A
Zhuhai Liye Biotechnology Co., Ltd. (珠海市麗業生物技術有限公司)	R&D, production and sales of medical devices.	New Establishment	50,000,000.00	39.425%	Self-owned funds	See details in Note 2	Long term	N/A	No funds were invested.	-	0.32	No	N/A	N/A
Zhuhai Linzon Pharmaceuticals Import and Export Trading Co., Ltd. (珠海市麗臻醫藥進出口貿易有限公司)	Wholesale of drugs and import and export of drugs.	New Establishment	10,000,000.00	100.00%	Self-owned funds	N/A	Long term	N/A	Investment was completed.	-	525,243.45	No	N/A	N/A

VII. INVESTMENT (continued)

2. Material equity investment acquired during the Year (continued)

Name of investee	Principal business	Investment method	Investment amount	Percentage of shareholding	Source of funds	Partner(s)	Investment period	Type of products	Status as at balance sheet date	Expected return	Investment profit or loss for the Year	Litigation involved	Disclosure date (if any)	Disclosure index (if any)
Changsha Lijin Baokang Medical Technology Co., Ltd. (長沙麗瑾葆康醫療科技有限公司)	R&D, production and sales of class I medical devices, class II medical devices and class III medical devices.	New Establishment	1,000,000.00	39.425%	Self-owned funds	See Note 3 for details	Long term	N/A	Investment was completed.	-	-19,738.70	No	N/A	N/A
Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司)	Production, wholesale, and import and export of drugs.	New Establishment	30,000,000.00	100.00%	Self-owned funds	N/A	Long term	N/A	No funds were invested.	-	-	No	N/A	N/A
Beijing Luzhu Biotechnology Co., Ltd. (北京綠竹生物技術股份有限公司)	Technological development, transfer and service for biological products, pharmaceuticals, diagnostic reagents, and medical devices.	Capital injection	30,000,000.00	1.3951%	Self-owned funds	N/A	Long term	N/A	Investment was completed.	-	-	No	N/A	N/A
Shanghai Keentai Biomedical Technology Co., Ltd. (上海科恩泰生物醫藥科技有限公司)	Engaged in technology development, technical services, technology transfer and technology consulting within the scope of biotechnology and pharmaceutical technology; drug R&D.	Capital injection	20,000,000.00	4.88%	Self-owned funds	N/A	Long term	N/A	Contributed capital amount of RMB12 million.	-	-	No	N/A	N/A
Total	-	-	886,650,000.00	-	-	-	-	-	-	-	51,984,510.10	-	-	-

- Note:**
- Disclosure date and disclosure index: For details, please refer to the Announcement on the Acquisition of 40% Equity Interest in Tianjin Tongrentang Group Co., Ltd. by Livzon Pharmaceutical Group Inc. issued on 23 March 2021 (Cninfo: Announcement No.:2021-025) and the Voluntary Announcement on the Acquisition of 40.00% Equity Interest in Tianjin Tongrentang issued on 22 March 2021 (Company's website and HKEXnews) by the Company;
 - Zhuhai Liye Biotechnology Co., Ltd. (珠海市麗業生物技術有限公司) was established on 9 February 2021 through capital contribution of RMB50.00 million by Livzon Diagnostics, a controlling subsidiary of the Company;
 - Changsha Lijin Baokang Medical Technology Co., Ltd. (長沙麗瑾葆康醫療科技有限公司) was established on 13 August 2021 through capital contribution of RMB1.00 million by Livzon Diagnostics, a controlling subsidiary of the Company.

VII. 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	5,596,906.00	379,750.00	-	-	-	2,725,155.32	5,976,656.00	Financial assets measured at fair value	Self-owned funds
Funds	206001	Penghua Fund	150,000.00	Measured at fair value	909,752.05	30,410.89	-	-	-	30,410.89	940,162.94	through profit or loss for the current period	Self-owned funds
Shares	000963	Huadong Medicine	39,851.86	Measured at fair value	8,754,494.72	4,495,907.68	-	-	-	4,571,718.44	13,250,402.40	or loss for the current period	Self-owned funds
Shares	BEAM(US) ^{NOTE}	Beam Therapeutics, Inc.	-	Measured at fair value	-	-22,577,836.86	-	197,530,071.41	17,857,439.90	-22,577,836.86	157,094,794.65		Self-owned funds
Other securities investment held at the End of the Year			-	-	-	-	-	-	-	-	-	-	-
Total			4,433,499.50	-	15,261,152.77	-17,671,768.29	-	197,530,071.41	17,857,439.90	-15,250,552.21	177,262,015.99	-	-

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

Note: In 2018, SCC VII, in which the Company made investment, invested in BEAM Inc.. BEAM Inc. was listed on the Nasdaq Stock Exchange of the United States in 2020. During the Reporting Period, SCC VII was de-registered and the Company was allocated the shares of BEAM Inc. after its listing pursuant to the investment agreement.

VII. INVESTMENT *(continued)***4. Investment in Financial Assets** *(continued)***(2) Information on investment in derivatives**✓ Applicable Not applicable*Unit: RMB0'000*

Name of the operator of derivatives investment	Related relationship	Related transaction	Type of derivatives investment	Initial investment amount of derivatives investment	Commencement date	Maturity date	Investment amount at the Beginning of the 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)	1,649.25	2020-7-1	2021-1-15	1,538.11	-	1,539.76	-	-	-	123.70
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	1,343.84	2020-8-3	2021-3-26	1,265.18	-	1,256.73	-	-	-	129.00
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	3,520.70	2020-9-1	2021-3-26	3,368.92	-	3,353.16	-	-	-	356.97
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	4,958.27	2020-10-12	2021-4-6	4,822.55	-	4,791.87	-	-	-	216.67
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	13,927.42	2020-11-3	2021-4-29	13,775.36	-	13,711.59	-	-	-	375.15
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	16,034.47	2020-12-3	2021-12-15	15,992.78	-	15,831.84	-	-	-	363.09
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	18,300.78	2021-1-4	2021-12-27	-	18,300.78	18,256.26	-	-	-	117.48
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	4,319.27	2021-2-2	2021-9-24	-	4,319.27	4,344.90	-	-	-	28.44
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	8,568.38	2021-3-4	2021-9-24	-	8,568.38	8,512.35	-	-	-	119.83
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	19,863.28	2021-4-1	2021-10-15	-	19,863.28	19,663.36	-	-	-	74.61
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	14,871.89	2021-5-7	2021-12-24	-	14,871.89	14,937.19	-	-	-	28.58
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	4,988.57	2021-6-1	2021-12-24	-	4,988.57	5,022.04	-	-	-	-3.82

VII. INVESTMENT *(continued)***4. Investment in Financial Assets** *(continued)***(2) Information on investment in derivatives** *(continued)*

Name of the operator of derivatives investment	Related relationship	Related transaction	Type of derivatives investment	Initial investment amount of derivatives investment	Commencement date	Maturity date	Investment amount at the Beginning of the 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)	6,633.47	2021-7-1	2022-1-28	-	6,633.47	6,253.12	-	-	-	71.85
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	11,015.32	2021-8-4	2022-3-31	-	11,015.32	4,884.04	-	-	-	102.34
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	10,001.61	2021-9-2	2022-3-31	-	10,001.61	3,885.75	-	6,067.71	0.47%	67.40
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	12,157.58	2021-10-11	2022-3-31	-	12,157.58	3,048.73	-	9,166.57	0.70%	30.95
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	14,178.85	2021-11-1	2022-5-9	-	14,178.85	1,341.49	-	12,954.71	1.00%	8.69
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	13,097.99	2021-12-2	2022-6-30	-	13,097.99	-	-	13,281.71	1.02%	-
Financial institution	Non-related party	No	Commodity futures contract (buy)	731.10	2020-11-18	2021-1-12	353.98	-	777.48	-	-	-	22.73
Financial institution	Non-related party	No	Commodity futures contract (buy)	239.35	2021-2-5	2021-3-11	-	239.35	242.97	-	-	-	3.52
Financial institution	Non-related party	No	Commodity futures contract (buy)	325.21	2021-4-21	2021-6-23	-	325.21	334.94	-	-	-	62.30
Financial institution	Non-related party	No	Commodity futures contract (buy)	1,925.40	2021-7-15	2021-8-27	-	1,925.40	1,913.09	-	-	-	-75.35
Financial institution	Non-related party	No	USD call option contract (buy)	1,359.97	2020-10-12	2021-3-8	1,321.94	-	1,310.69	-	-	-	66.36
Total				184,011.97	-	-	42,438.82	140,486.95	135,213.35	-	41,470.70	3.19%	2,280.49

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 2021 and 30 July 2021
Disclosure date of the announcement in relation to the approval of derivatives investment by the general meeting of shareholders (if any)	Not applicable

VII. INVESTMENT *(continued)*

4. Investment in Financial Assets *(continued)*

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

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

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

To effectively manage the uncertainty 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 RMB-5.3555 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.

VII. INVESTMENT (continued)**5. Use of Proceeds**✓ Applicable Not applicable**(1) Overall use of proceeds**✓ Applicable Not applicable

Unit: RMB'000

Year of financing	Method of financing	Total amount of proceeds	Total amount of proceeds used during the Year	Total amount of proceeds accumulated	Total amount of proceeds with change in use during the Year	Total amount of proceeds with change in use	Percentage	Total amount of proceeds unused	Uses and whereabouts of unused proceeds	Amount of proceeds idle for more than 2 years
							of total accumulated amount of proceeds with change in use			
2016	Non-public issuance	142,030.04	23,352.47	126,798.30	-	68,735.86	48.40%	15,231.74	Unused proceeds are still deposited in the special account for raised funds or under cash management, and will continue to be used in projects invested with proceeds.	-

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

Explanation on overall use of proceeds

With the "Approval in relation to the Non-public Issuance of Shares by Livzon Pharmaceutical Group Inc." (Zheng Jian Xu Ke [2016] No. 1524) issued by the China Securities Regulatory Commission, the Company made a non-public issuance of 29.0982 million ordinary shares (A Shares) denominated in RMB with a nominal value of RMB1 per share at an issue price of RMB50.10 per share, the total amount of proceeds raised amounted to RMB1,457.82 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 in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)", the "Construction project for research & development platform for prolonged-action microsphere technologies (長效微球技術研發平台建設項目)", the "Relocation and expansion project of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (first phase) (麗珠集團新北江製藥股份有限公司搬遷擴建項目(一期))", the "Technological transformation project of bag infusion workshop for Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠袋裝輸液車間技改項目)" as well as for replenishment of working capital and repayment of bank loans, which were consistent with the uses passed by the resolutions of the Board of the Company. As at 31 December 2021, 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.

VII. INVESTMENT (continued)**5. Use of Proceeds** (continued)**(2) Particulars of committed projects with proceeds**

✓ Applicable □ Not applicable

Unit: RMB0'000

Committed investment projects and the use of excess funds	Change in project (including partial change)	Total amount of proceeds committed to investment	Total amount of investment after adjustment (1)	Invested amount during the Year	Cumulative invested amount as at the End of the Year (2)	Progress of investment as at the End of the Year (3) = (2)/(1)	Date when the project is ready for intended use	Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project
Committed investment projects										
1. Project for in-depth development and industrialization upgrade of innovative Naprazole 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	9,612.93	18,775.98	63.51%	31 December 2024	-	-	No
2. Increased capital injections in Livzon MAB for the construction of "Project for research & development and industrialization of therapeutic antibody-based drugs" (對麗珠单抗增資投資建設"治療用抗體藥物研發與產業化建設項目")	Yes	30,600.00	-	-	-	-	-	-	-	-
3. Relocation and expansion project of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (first phase) (麗珠集團新北江製藥股份有限公司搬遷擴建項目(一期))	Yes	-	14,328.94	6,459.24	14,228.94	99.30%	30 June 2021	-	-	No
4. Technology transformation project of bag infusion workshop for Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠袋裝輸液車間技改項目)	Yes	-	5,311.73	-	5,311.73	100.00%	31 August 2018	430.75	-	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	7,280.30	36,796.33	89.44%	31 December 2021	-	-	No
6. Replenishment of working capital and repayment of bank loans	Yes	36,248.04	51,685.32	-	51,685.32	100.00%	N/A	N/A	N/A	No
Subtotal of committed investment projects	-	142,030.04	142,030.04	23,352.47	126,798.30	-	-	430.75	-	-
Use of excess proceeds										
	Not applicable									
Repayment of bank loans (if any)	-	-	-	-	-	-	-	-	-	-
Replenishment of working capital (if any)	-	-	-	-	-	-	-	-	-	-
Subtotal of the use of excess proceeds	-	-	-	-	-	-	-	-	-	-
Total	-	142,030.04	142,030.04	23,352.47	126,798.30	-	-	430.75	-	-

VII. 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 project (including partial change)	Total amount of proceeds committed to investment	Total amount of investment after adjustment (1)	Invested amount during the Year	Cumulative invested amount as at the End of the Year (2)	Progress of investment				
						as at the End of the Year (3) = (2)/(1)	Date when the project is ready for intended use	Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project
Particulars of and reasons for not meeting the scheduled progress or expected income (by specific project)	1.									
Particulars of significant change in feasibility of the project										
Amount, uses and progress of utilization of excess proceeds										
Change of location for implementation of investment project with proceeds										
	2.									

Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目): As the approval for production was obtained at a time later than expected, the commencement and progress of the later stage clinical trials for new indications of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) and Ilaprazole Enteric-Coated Tablets (艾普拉唑腸溶片) were later than expected, the upgrade of solid drug preparation workshops was delayed correspondingly and the utilization of relevant proceeds failed to meet the expected schedule. On 25 May 2020, the 2019 annual general meeting of the Company considered and approved the "Resolution on Alteration to Certain Projects Invested with Proceeds and Adjustment to Investment Plan and Utilization of Part of Proceeds for Permanent Replenishment of Working Capital" (《關於變更部分募集資金投資項目及調整投資計劃並將部分募集資金永久補充流動資金的議案》), and agreed that the Company may alter the investment in part of the sub-projects under the "Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)" and adjust the investment plan. Upon completion of the alteration and adjustments, it is still required to invest RMB208.2790 million of the proceeds in this project, which is expected to be available for intended use by 31 December 2024. The annual investment amounts for the next five years are expected to be RMB101.9240 million, RMB46.6760 million, RMB19.00 million, RMB20.00 million and RMB20.6790 million, respectively. As the amount of proceeds invested during 2020 was RMB4.2823 million, being lower than the expectation, the Board of the Company considered and approved the "Resolution on Adjustment to Investment Plan for Projects Invested with Proceeds" 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.

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 (參芪共正注射液) (bag infusion) did not achieve the expected income level.

Not applicable

Not applicable

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, Jimwan District, Zhuhai City to Level 1, P06 Building, Livzon Industrial Park, No. 38 Chuangye North Road, Jimwan 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.

VII. 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 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	Material change in feasibility of the project
						as at the End of the Year	Date when the project is ready for intended use		
Adjustment to implementation method for investment project with proceeds	1.								
	<p>Addition of an implementing entity of the project invested with proceeds</p> <p>On 23 December 2016, the Resolution on the Addition of Implementing Entity to the Project Invested with Proceeds of the Company (關於公司募集資金投資項目增加實施主體的議案) was considered and approved at the 2016 third extraordinary general meeting of the Company, pursuant to which it was agreed that Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), a wholly-owned subsidiary of the Company, would be added as an implementing entity of the "Project for in-depth development and industrialization upgrade of innovative llaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)". On 19 September 2017, the Resolution on Alteration to the Projects Invested with Proceeds from the Non-public Issuance of A Shares of the Company (關於變更非公開發行 A 股募集資金投資項目的議案) was considered and approved at the 2017 first extraordinary general meeting of the Company, pursuant to which it was agreed that the following adjustments would be made to the sub-project under the "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)": ① change the original sub-project of "Renovation Project of Pilot Workshop (中試車間裝修項目)" to "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)", and additionally include Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠) as one of the implementing entities; and ② terminating the preclinical project of "Risperidone Sustained-release Microspheres for Injection (1 month) (注射用利培酮緩釋微球(1 個月))".</p> <p>The abovementioned addition of an implementing entity to the project invested with proceeds will not lead to changes in the direction of investment of the Company's proceeds, nor affect the normal implementation of projects invested with proceeds, or have an adverse impact on the financial position of the Company.</p>								
	2.								
	<p>Alteration to implementing entities of projects invested with proceeds</p> <p>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) ("Microsphere Technology"), a wholly-owned subsidiary of the Company, by way of capital increase. And the implementing entities of the "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)" would be changed from the Company and Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠) to the Company and Microsphere Technology.</p> <p>The abovementioned alteration to implementing entity of the project invested with proceeds will not affect the overall implementation of the project invested with proceeds.</p>								
	3.								
	<p>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)"</p> <p>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 "Leuprorelin Acetate Sustained Release Microspheres for Injection (3 months) (注射用醋酸亮丙瑞林緩釋微球(3 個月))" under the "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)", and no proceeds would be invested in this project, and its remaining balance of proceeds RMB30.3858 million would be adjusted to be used by the "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)". After the adjustment, a total amount of RMB194.3191 million of proceeds was intended to be invested into the "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)", and the remaining investment amount for such workshop construction project would be supplemented by self-raised funds of the Company.</p> <p>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.</p>								

VII. 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 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	Date when the project is ready for intended use	Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project
						as at the End of the Year (3) = (2)/(1)				
	4.					Alteration to the sub-project of the "Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)" and the sub-project of the "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)" and Utilization of Part of the Proceeds for Permanent Replenishment of Working Capital				
						On 25 May 2020, the Resolution on Alteration to Certain Projects Invested with Proceeds and Adjustment to Investment Plan and Utilization of Part of Proceeds for Permanent Replenishment of Working Capital (關於變更部分募集資金投資項目及調整投資計劃並將部分募集資金永久補充流動資金的議案) was considered and approved at the 2019 annual general meeting of the Company, pursuant to which it was agreed that: (1) the amount of RMB105.6790 million of proceeds would continue to be invested in the projects of Ilaprazole tablet (艾普拉唑片) and Ilaprazole Sodium for injection (注射用艾普拉唑鈉), the portion of proceeds saved from these two projects in the amount of RMB102.60 million would be used in 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				

VII. 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 accumulated investment amount as at the End of the Year (2)	Investment progress as at the End of the Year (3)=(2)/(1)	Date when project is ready for 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	6,459.24	14,228.94	99.30%	30 June 2021	-	-	No
Technological transformation project of bag infusion workshop for Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠袋裝輸液車間技改項目)	Increased capital injections in Livzon MAB for the construction of "Project for research & development and industrialization of therapeutic antibody-based drugs" (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目")	5,311.73	-	5,311.73	100.00%	31 August 2018	430.75	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	7,280.30	36,796.33	89.44%	31 December 2021	-	-	No
Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)	Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)	29,562.72	9,612.93	18,775.98	63.51%	31 December 2024	-	-	No
Replenishment of working capital and repayment of bank loans	Replenishment of working capital and repayment of bank loans	51,685.32	-	51,685.32	100.00%	-	N/A	N/A	No
Total	-	142,030.04	23,352.47	126,798.30	-	-	430.75	-	-

VII. 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 accumulated investment amount as at the End of the Year (2)	Investment progress as at the End of the Year (3)=(2)/(1)	Date when project is ready for use	Benefits		Material change in feasibility of the project after change
		Actual investment amount for the Year	Actual investment amount as at the End of the Year (2)	realized during the Year			Expected benefit realized		
Description on reasons for change, decision-making process and information disclosure (for specific projects)									
	1.	<p>Increased Capital Injections in Livzon MAB for the Construction of "Project for Research & Development and Industrialization of Therapeutic Antibody-based Drugs" (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目"): In order to better meet the needs of the Company's operations and development, taking into account the relatively long investment and construction cycle of the original project invested with proceeds, i.e. the "Increased Capital Injections in Livzon MAB for the Construction of 'Project for Research & Development and Industrialization of Therapeutic Antibody-based Drugs' (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目)", and the urgent needs to invest in construction for the "Relocation and Expansion Project of Livzon Group Xinbeijing Pharmaceutical Manufacturing Inc. (First Phase) (麗珠集團新北江製藥股份有限公司搬遷擴建項目(一期))", "Technological Transformation Project of Bag Infusion Workshop for Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠袋裝輸液車間技改項目)", and "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)", being the new projects invested with proceeds, for the purpose of enhancing the efficiency of the Company's funds and ensuring the smooth development of these projects, after considered and approved at the 2017 first extraordinary general meeting of the Company, alterations were made to the "Increased Capital Injections in Livzon MAB for the Construction of 'Project for Research & Development and Industrialization of Therapeutic Antibody-based Drugs' (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目)", and the originally planned amount of proceeds of RMB306,000,000.00 intended to be used in this project was allocated as follows: ① RMB143,289,400.00 for the "Relocation and Expansion Project of Livzon Group Xinbeijing Pharmaceutical Manufacturing Inc. (First Phase) (麗珠集團新北江製藥股份有限公司搬遷擴建項目(一期))"; 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.</p> <p>For details, please refer to the Company's announcement in the designated media (Announcement No. 2017-065 and 2017-083).</p>							
	2.	<p>Construction Project for Research & Development Platform for Prolonged-action Microsphere Technologies (長效微球技術研發平台建設項目): Given that the Company had transferred the project "Leuprorelin Acetate Sustained Release Microspheres for Injection (3 months) (注射用醋酸亮丙瑞林緩釋微球(3個月))" to Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司) and the latter would continue to carry out relevant work such as clinical trials and application for production, hence subsequently the Company would no longer invest in this project by using the proceeds. After considered and approved at the 2018 annual general meeting of the Company, it was agreed that the sub-project "Leuprorelin Acetate Sustained Release Microspheres for Injection (3 months) (注射用醋酸亮丙瑞林緩釋微球(3個月))" under the "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)" would be altered and proceeds would no longer be used to invest in this project, the remaining balance of RMB30.3858 million of proceeds would be adjusted for use by the "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)". After the adjustment, an aggregate amount of RMB194.3191 million of proceeds was intended to be invested in the "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)". The remaining investment amount for the construction project of the workshop would be financed by the self-raised funds of the Company.</p> <p>For details, please refer to the Company's announcement in the designated media (Announcement No. 2019-020 and 2019-032).</p> <p>According to the progress of R&D of certain sub-projects of the "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)", appropriate adjustment was made to the project, the project "Aripiprazole Sustained-release Microspheres for Injection (14 days) (注射用阿立哌唑緩釋微球(14天))" would be renamed as "Aripiprazole Sustained-release Microspheres for Injection (注射用阿立哌唑緩釋微球)" with the investment amount remained unchanged at RMB27.30 million; the project "Goserelin Acetate Sustained-release Microspheres for Injection (1 month) (注射用醋酸戈舍瑞林緩釋微球(1個月))" would be altered to "Goserelin Acetate Sustained-release Implant (醋酸戈舍瑞林緩釋植入劑)" with an investment amount remained unchanged at RMB30.00 million; the sub-projects "Octreotide Sustained-release Microspheres for Injection (3 months) (注射用奧曲肽緩釋微球)(3個月)", "NGF Sustained-release Microspheres for Injection (14 days) (注射用NGF緩釋微球(14天))" and "Gonadorelin Sustained-release Microspheres for Injection (1 month) (注射用戈那瑞林緩釋微球(1個月))" which had not yet commenced would be terminated, and the original investment amount for these three sub-projects in the amount of RMB64.00 million of proceeds would be used to invest in a new sub-project "Construction of sustained-release implants workshop (緩釋植入劑車間建設)".</p> <p>For details, please refer to the Company's announcement disclosed in the designated media (Announcement No. 2020-023, 2020-120).</p>							

VIII. DISPOSAL OF MATERIAL ASSETS AND EQUITY

1. Disposal of material assets

Applicable Not applicable

2. Disposal of material equity

Applicable Not applicable

IX. ANALYSIS OF MAJOR CONTROLLED AND INVESTED COMPANIES

Applicable Not applicable

Unit: RMB

Name of company	Type of company	Principal business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Subsidiary	Principally engaged in production and sale of self-made chemical drugs, biochemical drugs, microbiological preparations, biological products, etc.	450,000,000.00	3,921,834,665.86	2,298,957,109.35	3,899,549,220.07	711,441,470.61	627,406,846.68
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Subsidiary	Principally engaged in R&D, production and sale of Chinese patent drugs, major products include Anti-viral Granules, Dexamethasone Oral Paste, etc.	149,000,000.00	1,351,291,688.37	1,093,338,417.87	348,317,179.10	62,863,848.28	55,473,684.67
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Subsidiary	Principally engaged in production and operation of Chinese drug preparations and pharmaceutical raw materials, etc., major products include Shenqi Fuzheng Injection, Xueshuantong, etc.	61,561,014.73	737,493,212.34	322,829,414.39	409,655,191.88	87,006,151.46	75,570,774.56
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	Subsidiary	Principally engaged in production of biochemical and polypeptide APIs, major products include biochemical APIs such as Menotropin and Chorionic Gonadotropin.	87,328,900.00	1,550,738,628.45	1,049,785,530.83	1,755,622,629.44	594,389,460.63	507,539,781.14
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Subsidiary	Principally engaged in production and operation of chemical APIs, major products include Cefuroxime Sodium, Cefodizime Sodium, Ceftriaxone Sodium, etc.	128,280,000.00	1,368,944,488.05	640,749,377.73	1,093,723,252.61	334,037,128.92	282,472,537.49
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	Subsidiary	Principally engaged in export of APIs, intermediate products and related technologies, major products include Pravastatin, Mevastatin, Salinomycin, etc.	239,887,700.00	3,502,405,107.82	1,763,875,418.72	2,064,215,061.28	523,084,976.72	379,187,831.91

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

Name of company	Type of company	Principal business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	Subsidiary	Principally engaged in production of antibiotics APIs, intermediate and drug preparation products and chemical raw materials for pharmaceutical production, major products include Colistin Sulfate, Vancomycin, Phenylalanine, etc.	USD41,700,000	1,326,803,035.81	771,462,963.37	798,497,384.41	345,344,214.95	296,651,520.64
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	Subsidiary	Principally engaged in production and sale of diagnostic reagents, major products include diagnostic reagent products such as Diagnostic Kit for IgM/IgG Antibody to Coronavirus (SARS-CoV-2) (Lateral Flow), Rapid Test for Mycoplasma Pneumoniae IgM Antibody (Lateral Flow) and Diagnostic Kit for Human Immunodeficiency Virus Antibody (ELISA), etc.	400,000,000.00	958,704,502.54	669,931,880.06	728,974,566.95	52,486,082.01	58,594,770.35
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Principally engaged in research, development and commercialization of biopharmaceutical products.	1,453,330,000.00	1,407,088,848.79	217,497,897.79	43,183,161.41	-345,111,837.74	-347,064,408.35

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. Its loss is mainly due to investment in R&D.

IX. ANALYSIS OF MAJOR CONTROLLED AND INVESTED COMPANIES *(continued)***Subsidiaries acquired and disposed of during the Year**✓ Applicable Not applicable

Company name	Method of acquirement and disposal of the subsidiary during the Reporting Period	Effect on the general production, operation and results
Zhuhai Qi'ao Biotechnology Co., Ltd. (珠海啟奧生物技術有限公司)	Disposal	No material impact
Shanghai Liyu Biopharmaceutical Technology Co., Ltd. (上海麗予生物醫藥技術有限責任公司)	New Establishment	No material impact
Zhuhai Liye Biotechnology Co., Ltd. (珠海市麗業生物技術有限公司)	New Establishment	No material impact
Fuzhou Fuxing Pharmaceutical Co., Ltd. (福州市福興製藥有限公司)	Deregistration	No material impact
Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司)	New Establishment	No material impact
Zhuhai Livzon Pharmaceuticals Import and Export Trading Co., Ltd. (珠海市麗珠醫藥進出口貿易有限公司)	New Establishment	No material impact
Changsha Lijin Baokang Medical Technology Co., Ltd. (長沙麗瑾葆康醫療科技有限公司)	New Establishment	No material impact
Livzon International Limited	Deregistration	No material impact
Livzon Biologics Limited	Deregistration	No material impact

Description of major controlled and invested companies✓ Applicable Not applicable

In May 2021, the Company entered into the Equity Transfer Agreement in relation to Zhuhai Lifanda Biotechnology Co., Ltd. (珠海麗凡達生物技術有限公司) with Beijing AIM Vaccine Co., Ltd. (艾美疫苗股份有限公司) ("AIM"), pursuant to which AIM agreed to acquire the entire equity interest held by the Company in Zhuhai Lifanda Biotechnology Co., Ltd. (珠海麗凡達生物技術有限公司) ("Lifanda") at a consideration of RMB40.32 million.

Lifanda is an invested company of the Company. The disposal can effectively realize withdrawal of the investment project of the Company, thereby enabling the Company to put more focus on its principal businesses in innovative medicines. Lifanda was accounted for as other equity instruments. The Company's retained earnings increased by RMB34.034 million as a result of such disposal. Such disposal of equity interest has no material impact on the Company's financial conditions and operating results.

X. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

Applicable Not applicable

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

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

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

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

XIII. OTHER SIGNIFICANT EVENTS

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

XIV. PROSPECTS FOR FUTURE DEVELOPMENT

In 2022, the Company will uphold the mission of “prioritizing the quality of life of the patients” with the goal of “becoming a leading pharmaceutical enterprise within the industry”, strengthen technological innovation and management innovation and accelerate transformations and upgrading. The Company will continue to focused on unmet clinical demand, accelerate innovative R&D and complete BD (business development). The Company will actively promote international business development and adapt to the changing new trends of the pharmaceutical industry, the market and the economic environment. The Company will also make proactive attempts on new technologies and new models, incorporate digital and intelligent upgrade into key areas including R&D, production, sales and management, enhance operational efficiency and comprehensively improve its capabilities of sustainable development. Furthermore, the Company will continue to pay attention to the development of COVID-19 pandemic and adopt corresponding measures at the same time to ensure that the operation activities are performed in a steady and orderly manner. Meanwhile, the Company will boost the R&D progress of COVID-19 vaccines, contributing Livzon’s strength to the anti-pandemic work. Key efforts will be focused on the following areas:

(1) Chemical drug preparations

In respect of innovative R&D, the Group will continuously pay attention to new targets in the field of new drug R&D around the world and cutting-edge technologies, make layout of innovative drugs and high-barrier complex drug preparations based on clinical value and differentiated prospects, continue to enhance R&D efficiency, accelerate the progress of projects under research and build up a stronger and efficient R&D team. In addition to continuously strengthening our own R&D, integrating resources to optimize R&D platforms, the Group will continue to strengthen external cooperation, and optimize team building of the core products on which we have advantages by various forms including introduction of projects and joint development.

XIV. PROSPECTS FOR FUTURE DEVELOPMENT *(continued)***(1) Chemical drug preparations** *(continued)*

In respect of marketing, the Group will continue to focus on evidence marketing, co-marketing and service marketing, build digital marketing system, improve the terminal system, and further optimize the market access system from national level to local level. The key work deployments are as follows: (i) to streamline process and optimize the appraisal system, by which the appraisal system will change from one that is solely based on financial indicators to one that is based on strategic indicators, change from one that is based on short-time behavior management to one that is based on strategic talent development, and change from a traditional organizational structure to a new marketing structure that is based on internet, platform and system. We will cultivate, develop and retain talents of strategic value in the marketing team; (ii) to build a digital marketing system with users as the core and brands as the link in a quick manner, so as to expand digital marketing for online and offline branding communication in the ever-changing pharmaceutical industry ecosystem; (iii) in respect of prescription drugs, based on the principles of "capturing larger market share and extending presence to areas with no coverage", to facilitate the development and supply of core varieties including the Ilaprazole (艾普拉唑) series and the psychiatric products in the key hospitals above Class II; (iv) to respond actively to subsequent negotiation and price bargaining for Ilaprazole Sodium for Injection (注射用艾普拉唑鈉). Taking full advantages of "negotiation drugs" which shall not be subject to further bargainings on price and affected by the policies on proportion and average costs, and to which physician shall give priority to use these drugs in their practices, while leveraging the outstanding product competitiveness of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) to continuously expand the hospital coverage and the sales volume of this product and to strengthen and refine the expansion of Ilaprazole (艾普拉唑) in the relevant departments and; (v) to cultivate, support, plan and expand potential products, and manufacture conventional drugs in new ways to extend the life cycle, accelerate the improvement of the global marketing system, further advance the overseas registration and certification of drugs and the expansion to emerging markets and increase overseas marketing efforts, so as to create new engines of sustainable and high-quality growth of the Group.

In respect of production, the focus remains to ensure stable supplies and quality. The Group will insist quality safety as its lifeline, continue to optimize the quality management system, ensure the effective operation of the quality system and prevent the occurrence of material incidents of quality safety. The Group will continue to establish and improve the MAH quality system, continue to strengthen quality management of the whole life cycle, upgrade the automation and intelligence level of production and optimize production processes. Through comprehensive and systematic risk control with refined management, the Group can rigorously maintain its edges in safety and environmental protection, quality and cost, and consolidate the competitiveness of the products.

(2) Biologics

The key 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 LivzonBio's quality system and the process of commercialization of products will be accelerated.

The key tasks of R&D projects comprise the following aspects: firstly, to advance Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗) ("V-01")'s conditional market launch in the PRC, EUA (Emergency Use Authorization)/market launch at abroad and WHO EUL (Emergency Use Listing), and supply after market launch; secondly, to carry out the preparatory work for registration inspection and on-site verification inspection in relation to launch approval of Tocilizumab Solution for Injection (托珠單抗注射液); thirdly, to continue to promote the clinical trials of core varieties such as Recombinant anti-human IL-17A/F Humanized Monoclonal Antibody Injection (重組抗人 IL-17A/F 人源化單克隆抗體注射液) and Recombinant Human Follitropin Alfa Solution for Injection (重組人促卵泡激素注射液); fourthly, to drive the development of new projects and cooperation and introduction in a timely manner, so as to expand the R&D pipelines and enhance the competitiveness of the biologic platform of the Company.

XIV. PROSPECTS FOR FUTURE DEVELOPMENT *(continued)***(2) Biologics** *(continued)*

In terms of marketing for products, the Group will prepare for the market promotions of Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素), a marketed product, and improve the post-launch adverse reaction monitoring/pharmacovigilance system.

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

(3) APIs and intermediates

The API business department 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.

In respect of marketing, we will continue to put more efforts to explore the markets and develop the products of high-end antibiotic APIs, high-end pet APIs and pharmaceutical intermediates, strive to gain more market share, thereby consolidating and enhancing the market competitiveness and industry position of the products on which we have advantages. As for high-end pet preparation products, we will promote overseas registration and establish a long-term, stable and win-win cooperation model with our strategic partners, while extending the domestic sales network. In addition, we will continue to introduce high-caliber talents, expand the domestic and overseas sales teams, and build a comprehensive global domestic and overseas sales platform.

The API business department will continue to improve safety, environmental protection, quality standards and requirements, keep on strengthening R&D, production quality and marketing management, focus on promoting the R&D of polypeptide products and high-end veterinary drugs and new fermentation products, as well as the improvement of the existing products. We will respond actively to the rise in prices of raw materials and take continuous actions to reduce cost and enhance efficiency, and further improve the overall profitability of APIs, and establish a high-end API industry platform with comprehensive competitiveness.

(4) Traditional Chinese medicine preparations

The traditional Chinese medicine business will adhere to the guiding philosophy of “exploring the potential, improving quality and enhancing efficiency”. Leveraging the Group’s extensive experience in traditional Chinese medicine, the Company, based on its tradition, innovation-driven approach and market-oriented direction, will strive to achieve industrialization, modernization and digitization in the field of traditional Chinese medicine with its herb resources, production bases, marketing and academic promotion efforts and research resources.

On top of tumor, pneumology, pediatrics and other segments on which we have advantages, the Company will also strengthen marketing efforts for disease categories on which traditional Chinese medicines have treatment advantages, including urology, kidney disease, cardio cerebral vascular diseases and Fuzheng (benefiting vital energy and strengthening physique). The Company will focus on cultivating the large varieties and product portfolio, explore the markets and create new growth drivers.

XIV. PROSPECTS FOR FUTURE DEVELOPMENT *(continued)***(4) Traditional Chinese medicine preparations** *(continued)*

For R&D of traditional Chinese medicine products, the Group will also vigorously carry out the work of product academic support and clinical data evidence research, based on diseases on which traditional Chinese medicines have treatment advantages and clinical position of exclusive varieties, and will further strengthen the R&D planning and investment of new traditional Chinese medicines with unique features and classic prescriptions. At the same time, we will speed up the establishment of a technical standard system and a grade evaluation system for production of high-class traditional Chinese medicinal materials, and promote the research on key medicinal materials for core products and the construction and layout of green ecological planting bases.

(5) Diagnostic reagents and equipment

In 2022, the Group's diagnostic reagents and equipment segment will focus on promoting self-immune multiplex, small-scale luminescence and nucleic acid product lines. In respect of key products, acquiring more customers will be the major goal with an aim to gradually accumulate sales which support inputs after acquiring customers, while continuously nurturing, forming and extending the national and regional benchmark customer groups with certain influence, which could set a good technical model for the industry and each region. In respect of the existing products, we will continue to strengthen various types of customer promotion and after-sales work, with focus on boosting sales of self-produced products.

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

In respect of production, we will meet sales demand and ensure stable supply. Ensuring the supply and quality of the new products, we will continuously carry out cost management and control, improve the technical capabilities of production technicians, complete various trainings and practical exercises, improve level of technology, and ensure stable quality and process optimization for new products under mass production.

XV. RISKS AND RESPONSE MEASURES

1. Risk of changes in industrial policies

The pharmaceutical industry is significantly affected by changes in industrial policies. As China has been deepening reforms of the pharmaceutical and health systems, the relevant systems of policies and regulations are further amended and improved. For example, measures such as the enforcement and adjustment of the medical insurance catalogue, the continuous implementation of centralized bulk-buying and new guiding principles for R&D may have deep and lasting impact on the future development of the pharmaceutical industry, and may also have different levels of impact on the Group's R&D, production and sales. In November 2021, the Center for Drug Evaluation of the National Medical Products Administration issued the Guiding Principles for Clinical Value-Oriented Research and Development of Anti-tumor Drugs (the "Guiding Principles") so as to implement R&D concepts which are based on clinical value and focus on patients and to accelerate the development of anti-tumor drugs in a scientific and orderly manner. According to the Guiding Principles, R&D of new drugs should make the provision of better (in terms of effects, safety and convenience) treatment options to patients as a priority. In early December 2021, the National Healthcare Security Administration ("NHSA") and the Ministry of Human Resources and Social Security issued the Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2021) (the "National Medical Insurance Catalogue (2021)" or the "Medical Insurance Catalogue"). Through this adjustment to the catalogue, the total number of drugs in the National Medical Insurance Catalogue (2021) is 2,860, including 1,486 western drugs, 1,374 Chinese patent drugs, and 892 traditional Chinese medicine tablets. Following this adjustment, a total of 74 drugs were added in the Medical Insurance Catalogue and 11 drugs were removed from the Medical Insurance Catalogue.

Response measures: The Guiding Principles emphasize the importance of conducting drug R&D with a focus on needs of patients and clinical value. Meanwhile, the Guiding Principles has mentioned that the prevailing best treatment drugs and methods shall be used as a reference to further increase the entry barrier for developing innovative drugs. Accordingly, mass homogeneous pipelines would be put to an end and drugs with high quality would be developed. Currently, the Group's anti-tumor drugs under the clinical trial stage mainly include Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球), Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球), 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), Recombinant Humanized Anti-PD-1 Monoclonal Antibody for Injection (注射用重組人源化抗PD-1單克隆抗體) and project LZ001, whose clinical proposals are designed with clinical value orientation and have been strictly implemented. Looking forward, the Group will continue to focus on innovative medicines and high-barrier complex drug preparations, enhance its capacities in the areas of medical, statistic, and registration approval. In respect of adjustments to the Medical Insurance Catalogue, till now, a total of 186 products of the Group are included in the National Medical Insurance Catalogue (2021), including 90 drugs in the class A list and 96 drugs in the class B list. After the adjustments to the Medical Insurance Catalogue in 2021, the Group's product Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) continued to be included into the negotiation catalogue. After the product is included in the Medical Insurance Catalogue, the clinical value of the product would be increased, and more patients would be benefitted. As the coverage of this drug in hospitals with levels was low, a lower price would benefit more patients. The Company will continue to expand the hospital coverage and product sales and realize "lower the price in exchange for more quantity", so as to mitigate the impact of adjustments to prices of the medical insurance payment on the stable growth of the Company's results. In this regards, the Company will enhance its capability in responding to environmental changes such as changes in national policy directions and industry policies, and take proactive measures to control and mitigate the risks arising from the production and operation, so as to avoid risks arising from policy changes.

XV. RISKS AND RESPONSE MEASURES *(continued)*

2. Risk of decline in the prices of products

After pharmaceutical products are approved and launched in the market, in addition to market competition, they are also affected by many factors in various aspects, including medical insurance, tenders, in particular industry policy of minimum procurement commitment, which have made pharmaceutical enterprises face pressure of price decline. (i) Centralized bulk-buying refers to the process of tender or price negotiation in centralized purchase of drugs where the exact quantity to be purchased shall be specified, so that bidding price for specific amounts of drugs may be provided by enterprises. On 23 June 2021, the proposed selection results of the fifth round of centralized drug procurement organized by the State were published in Shanghai. The proposed procurement for 61 varieties of drugs were purchased successfully, and the prices of proposed selected drugs were reduced by 56% on average. Calculated based on the price before centralized procurement, the relevant purchase amount from public medical institutions was RMB55 billion, hitting a record high for centralized procurement. The products varieties in this centralized procurement covered drugs for common chronic diseases such as hypertension, coronary heart disease, diabetes, anti-allergic, anti-infectives, gastrointestinal diseases, and drugs for serious diseases such as lung cancer, breast cancer, and colorectal cancer. The treatment costs for related patients will be significantly reduced. A total of 355 products from 201 companies participated in the bidding, and 251 products from 148 companies were eligible to be selected; (ii) Price reduction was also realized in the national medical insurance negotiations. In 2021, NHSA conducted negotiations and successfully negotiated the inclusion of 67 exclusive drugs not in the Medical Insurance Catalogue, with an average price reduction of 61.71%. By guiding moderate competition among drugs, lowering the price in exchange for more quantity and other measures, the prices of some drugs in the Medical Insurance Catalogue were further reduced and more funds are available for purchasing more cost-effective drugs, which could successfully realize the upgrading and generation shift of drug insurance.

Response measures: (i) For centralized bulk-buying, since most of the potential enterprises are willing to lower their prices in exchange for more quantity, therefore the price of drugs of the winning bidders may decrease significantly. However, since a certain procurement volume shall be specified to facilitate arrangements for production and sales, the unit production cost of drugs will be lowered through economies of scale, and less cross-regional marketing promotions will save selling expenses for enterprises. Therefore, if larger sales volume is awarded, the impact of lower price may be offset, which will have significant implications on strengthening the market position of the enterprise in the industry. Hospital is one of the major customers of the Company, the Company will pay close attention to the developments of the policy of centralized bulk-buying. On 23 June 2021, the Company participated in the fifth round of centralized drug procurement organized by the Joint Procurement Office. The Company's Tinidazole Tablets (替硝唑片) (0.5g; 8 tablets/box) were proposed to be selected for this centralized procurement at a proposed price of RMB10.89 per box and in a proposed number of 6.1188 million tablets. At present, the Company has entered into the Memorandum of Selected Categories for National Centralized Drug Procurement (《全國藥品集中採購擬中選品種備忘錄》) with the Joint Procurement Office and has been selected. The product is expected to open up the domestic sales market and increase its market share after the conclusion and execution of its purchase and sales contract. (ii) For adjustments to the Medical Insurance Catalogue, as Ilaprazole Sodium for Injection (注射用艾普拉唑鈉), the patented new drug developed by the Company, continued to be included to the 2021 National Medical Insurance Catalogue, its price drops from RMB156 per unit to RMB71 per unit. As the payment limit of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) was cancelled in 2021 national medical insurance negotiation, more patients were benefitted as the suffix remarks of the Medical Insurance Catalogue were changed from "limited to patients diagnosed with diseases indicated in the insert sheets and subject to fasting or have dysphagia" to "Peptic Ulcer and Bleeding" as set out in the insert sheets. According to the official documents of the National Healthcare Security Administration, further negotiations on prices of drugs admitted to the hospitals shall not be allowed. Negotiation drugs shall not be subject to proportion and average costs, and physician shall give priority to use these drugs in their practices. Accordingly, despite its lower price, Ilaprazole Sodium for Injection (注射用艾普拉唑鈉), based on its outstanding competitiveness, will continue to play an important role in clinical value. Following the inclusion into the Medical Insurance Catalogue, the hospital coverage of this drug is expected to be further expanded, which will benefit more patients.

XV. RISKS AND RESPONSE MEASURES *(continued)***2. Risk of decline in the prices of products** *(continued)*

The Company will also continue to innovate, research and develop innovative drugs and high-barrier complex drug preparations required urgently in clinical application and with a certain amount of high added-value. Deeper exploration will be made on existing products 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. Product composition will be continuously optimized, while active efforts will be made to explore and expand into the overseas markets.

3. Risk of R&D for new drugs

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

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

XV. RISKS AND RESPONSE MEASURES *(continued)***4. Effect of the normalization of COVID-19 pandemic**

The COVID-19 pandemic significantly affected the operation of the overall economy. During the aggravation of the pandemic, as efforts of medical professionals were more focused on frontline work to prevent and control the pandemic, the consultation rate of patients with other diseases had declined and the standard prescriptions issued by hospitals had dropped in number. The production and operation of the Company was also affected to a certain extent. In May 2021, after the outbreak of the pandemic in Guangdong Province, under the guidance of the Guangdong Group of the State Council's Comprehensive Group of the Joint Prevention and Control Mechanism and under the strong leadership of the Provincial Party Committee and the Provincial Government, all parts of the province followed "fast, strict and practical" requirements, strengthened personnel management and control, decisively adjusted risk areas, scientifically delineated the scope of management and control, and promoted hierarchical nucleic acid screening in accordance with the principle of zoning, grading and classification. During the period, Guangdong Province implemented a very strict system that any personnel who intended to leave the province by air, railway, highway, and water transportation shall produce negative nucleic acid tests, and Guangdong personnel were guided not to leave the province unless necessary. As at 5 July 2021, all middle-risk areas for the pandemic in Guangdong Province have been cleared, and the whole province was under low risk. In the first half of 2021, the country has promoted the COVID-19 vaccination in an orderly manner. According to data from the official website of the National Health Commission, as at 31 December 2021, 31 provinces (including autonomous regions and municipalities) and the Xinjiang Production and Construction Corps throughout the country have reported that a total of 2,823.418 million doses of the COVID-19 vaccines have been administered.

Response measures: In view of the burst of the pandemic in Guangdong Province in May 2021, the Company responded to government requests as soon as possible. The Company fully cooperated with the Guangdong Provincial Government to actively carry out pandemic prevention and control by strictly implementing relevant measures, and coordinating pandemic prevention and control, production and operation, and actively organizing employees' nucleic acid testing and vaccination. In the beginning of 2021, Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗) ("V-01") developed by LivzonBio was approved by the National Medical Products Administration for clinical trials. Currently, the phase III clinical trials of the primary vaccination proposal of V-01 have been conducted in Philippines, Indonesia and Russia. Furthermore, the phase III clinical trials of the booster vaccination sequential immunization proposal of V-01 have been conducted in Pakistan and Malaysia. The R&D cycle of COVID-19 vaccines is expected to be affected by a number of uncertainties, including the development of COVID-19 pandemic across the globe and in particular, in countries where the clinical trials are conducting or will conduct. In addition, in light of the potential high investment in R&D of COVID-19 vaccines, as at the End of the Reporting Period, the R&D investment of the Group increased by 53.93% as compared to the Previous Year. In general, the Company was under normal operation during the Reporting Period, and the overall impact of the COVID-19 pandemic on its business was relatively slight. The extent of its subsequent impact will depend on the prevention and control of the pandemic on a global scale, the time of continuation, the prevention and control of the pandemic, and the responsive measures of enterprises. The Company will continue to pay attention to the development of the pandemic and any possible impact on the financial conditions and operating results of the Company, while adopting various measures at the same time to mitigate the adverse effect of the pandemic on corporate operations, to ensure that the production and operation activities are performed in a steady and orderly manner. Such measures include enhancing the operational management standard, controlling various types of operational risks, and promoting innovation and synergy. Facing the new changes in the global market layout brought by the COVID-19 pandemic, the Company will reinforce our export advantages in special APIs, establish an internet operation center to enhance the online promotions of some drug preparation products. Meanwhile, we will speed up the overseas clinical progress of COVID-19 vaccines, give full play to the global supply of the COVID-19 vaccines, and actively perform social responsibilities.

XV. 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 profitability 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 (得樂系列) products, reproduction series products, endocrine products and psychiatric products, which are the Group's key drug preparation products, were either self-produced or supported by the entire industry chain within the Group, these raw materials were less affected by the COVID-19 pandemic. Despite the relatively significant increase in the price of certain raw materials for Anti-viral Granules (抗病毒颗粒), the impact on the cost of Antiviral Granules (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.

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

✓ Applicable □ Not applicable

Date of reception	Place of reception	Method of reception	Type of guests	Name of guests	Main contents discussed and information provided	Index of basic information of research
13 January 2021	Not Applicable	Telephone communication	Institution	HTSC, 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, please see the "Livzon Group: Record Chart of Investor Relations Activities on 13 January 2021" published by the Company on Cninfo on 14 January 2021
20 January 2021	The office of the Company	Field research	Institution	CITIC 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, please see the "Livzon Group: Record Chart of Investor Relations Activities on 20 January 2021" published by the Company on Cninfo on 21 January 2021
30 March 2021	Not Applicable	Others	Individual	Fund managers, analysts and individual investors	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 30 March 2021" published by the Company on Cninfo on 31 March 2021
27 April 2021	The office of the Company	Field research	Institution	CICC Pharmaceutical, Cheese Fund, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 27 April 2021" published by the Company on Cninfo on 28 April 2021
7 May 2021	The office of the Company	Field research	Institution	Mingda Asset Management	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 7 May 2021" published by the Company on Cninfo on 8 May 2021

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

Date of reception	Place of reception	Method of reception	Type of guests	Name of guests	Main contents discussed and information provided	Index of basic information of research
3 June 2021	The office of the Company	Field research	Institution	Fullgoal Fund, APS Investment	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 3 June 2021" published by the Company on Cninfo on 3 June 2021
21 June 2021	Not Applicable	Telephone communication	Institution	Penghua Fund, CITIC Pharmaceutical	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 21 June 2021" published by the Company on Cninfo on 22 June 2021
6 July 2021	The office of the Company	Field research	Institution	Shenwan Hongyuan, Bank of China Fund, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 6 July 2021" published by the Company on Cninfo on 7 July 2021
12 July 2021	Not Applicable	Telephone communication	Institution	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, please see the "Livzon Group: Record Chart of Investor Relations Activities on 12 July 2021" published by the Company on Cninfo on 13 July 2021
14 July 2021	Not Applicable	Telephone communication	Institution	Capital Dynamics Asset Management	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 14 July 2021" published by the Company on Cninfo on 15 July 2021

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

Date of reception	Place of reception	Method of reception	Type of guests	Name of guests	Main contents discussed and information provided	Index of basic information of research
20 July 2021	The office of the Company	Field research	Institution	Ridou Investment, Wuwei Capital, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 20 July 2021" published by the Company on Cninfo on 21 July 2021
21 July 2021	Not Applicable	Telephone communication	Institution	Rheos Capital Works Inc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 21 July 2021" published by the Company on Cninfo on 22 July 2021
23 July 2021	Not Applicable	Telephone communication	Institution	Haitong Securities, Haitong 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, please see the "Livzon Group: Record Chart of Investor Relations Activities on 23 July 2021" published by the Company on Cninfo on 23 July 2021
3 September 2021	Not Applicable	Telephone communication	Institution	Bank of China Fund, Guosheng Pharmaceutical	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 3 September 2021" published by the Company on Cninfo on 3 September 2021
15 September 2021	Not Applicable	Telephone communication	Institution	Jing Heng Investment, Maihetian Asset Management	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 15 September 2021" published by the Company on Cninfo on 16 September 2021

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

Date of reception	Place of reception	Method of reception	Type of guests	Name of guests	Main contents discussed and information provided	Index of basic information of research
3 December 2021	Not Applicable	Telephone communication	Institution	Value Partners	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 3 December 2021" published by the Company on Cninfo on 3 December 2021
16 December 2021	Not Applicable	Telephone communication	Institution	Haitong International, CLAMC, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 16 December 2021" published by the Company on Cninfo on 16 December 2021
20 December 2021	Not Applicable	Telephone communication	Institution	Changjiang Pension	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 20 December 2021" published by the Company on Cninfo on 20 December 2021
21 December 2021	The office of the Company	Field research	Institution and individual	Qingfeng Capital, Orient Securities, etc.	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 21 December 2021" published by the Company on Cninfo on 22 December 2021
22 December 2021	Not Applicable	Telephone communication	Institution	CITIC Securities Asset Management	The guests inquired about the Company's operations and future development plans, and the Company answered according to the facts and did not provide any written information.	For details, please see the "Livzon Group: Record Chart of Investor Relations Activities on 22 December 2021" published by the Company on Cninfo on 23 December 2021

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 reserve” to the financial statements in the Report.

2. Distributable reserves

As at 31 December 2021, the distributable reserves of the Company calculated in accordance with China Accounting Standards for Business Enterprises amounted to RMB3,988 million (31 December 2020: RMB3,950 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 VI of the Report.

5. Management contracts

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

6. Review by Audit Committee

The financial results for the year ended 31 December 2021 have been reviewed by the Audit Committee of the Company. For the details of “KEY AUDIT MATTERS”, please refer to “AUDIT REPORT” in Section X of the Report.

7. Relationship with employees, customers and suppliers

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

XVII. OTHER EVENTS *(continued)***8. Permitted indemnity provision**

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

9. Compliance with laws and regulations

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

10. Environmental policies and performance

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

XVIII. REPURCHASE, SALE OR REDEMPTION OF SECURITIES**Repurchase of A Shares**

On 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 of the Repurchase Scheme (the "Repurchase Period") 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). The cancellation of the Repurchased A Shares was completed on 29 January 2021.

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 “First 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 First 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 6 May 2021, the Company made a total repurchase of 6,628,600 H Shares of the Company (the “Repurchased H Shares”) under the First H Share Repurchase Mandate, accounting for 0.71% of the total issued share capital and 2.07% of the total issued H Shares of the Company as at 6 May 2021. The highest purchase price was HKD31.90 per share, while the lowest purchase price was HKD28.35 per share. The aggregate amount of funds used for the repurchase was HKD199,632,345.00 (excluding the transaction costs). The cancellation of the Repurchased H Shares was completed on 7 May 2021.

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

As at 31 December 2021, the Company made a total repurchase of 3,404,400 H Shares of the Company (the “Repurchased H Shares”) under the Second H Share Repurchase Mandate, accounting for 0.36% of the total issued share capital and 1.09% of the total issued H Shares of the Company as at 31 December 2021. The highest purchase price was HKD27.00 per share, while the lowest purchase price was HKD24.70 per share. The aggregate amount of funds used for the repurchase was HKD87,004,410.00 (excluding the transaction costs).

Save as disclosed above, during the period from 1 January 2021 to 31 December 2021, neither the Company nor any of its subsidiaries 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 approximately 39.425% of the shares of Livzon Diagnostics, which is a controlling subsidiary of the Company.

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

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

The new shares proposed to be issued by Livzon Diagnostics will result in a dilution of the Company's equity interest in Livzon Diagnostics, and if materializes, 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 spinoff is required to obtain approval by the general meeting of the Company in order to comply with the relevant PRC laws and regulations.

On 20 November 2020, the proposed spin-off was considered and approved at the 2020 fourth extraordinary general meeting of the Company. Livzon Diagnostics completed the filing for registration of tutoring at the Guangdong CSRC Bureau in November 2020. As at the disclosure date of the Report, Livzon Diagnostics has submitted a total of 5 progress report of tutoring. Save as disclosed herein, as at the disclosure date of the Report, Livzon Diagnostics has not submitted any other application or filing to the Shenzhen Stock Exchange and the relevant regulatory authorities of the PRC.

XX. NON-PUBLIC ISSUANCE OF A SHARES

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

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

Historical events

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

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

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

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

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

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

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

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

On 25 August 2020, the Company convened the third meeting of the tenth session of the Board to consider and approve the Resolution on Alteration to the Implementing 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.

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

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

Progress during the Reporting Period

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

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.

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)***1. The 2018 Share Options Incentive Scheme** *(continued)***Purpose of the scheme**

The 2018 Share Options Incentive Scheme has been formulated to further establish and improve the Company's long-term incentive mechanism, attract and retain outstanding talents, maximize the motivation of Directors, senior management, midlevel 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.

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%

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

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

Basis for determining exercise price

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

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

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

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

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)***1. The 2018 Share Options Incentive Scheme** *(continued)***Fair value and accounting policies of the share options**

- (1) Fair value
(i) First Grant

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

Parameters	Explanation for parameters
Price of subject share	RMB36.67 per share (the price on the date of grant)
Exercise price	RMB47.01 per share option
Validity period of share options	The three validity periods of share options are 1 year, 2 years and 3 years, respectively
Risk-free interest rate	Risk-free interest rates of the three exercise periods of share options are 1.50%, 2.10% and 2.75% (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.

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

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

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

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)***1. The 2018 Share Options Incentive Scheme** *(continued)***Fair value and accounting policies of the share options** *(continued)*(1) Fair value *(continued)*

(ii) Reserved Grant

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

Parameter	Explanation for parameters
Price of subject share	RMB28.72 per share (the price on the date of grant)
Exercise price	RMB28.87 per share option
Validity period of share options	The validity periods for the two exercise periods are 1 year and 2 years respectively
Risk-free interest rate	Risk-free interest rates for the two exercise periods 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.

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

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

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

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)***1. The 2018 Share Options Incentive Scheme** *(continued)***Fair value and accounting policies of the share options** *(continued)*

(2) Accounting policies

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

Revision of the scheme

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

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

First Grant

- (1) On 11 September 2018, the Company convened the nineteenth meeting of the ninth session of the Board to consider and approve:
 - (i) the adjustment to the list of incentive participants and 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.

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

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

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

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

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	Number of	Number of	Number of	Number of
		share options held as at 1 January 2021	share options exercised during the Year	share options held as at 31 December 2021	share options cancelled during the Year	share options lapsed during the Year
		(0'000 share options) ^{(1) (2)}	(0'000 share options)	(0'000 share options)	(0'000 share options)	(0'000 share options)
Mr. Tang Yanggang	Executive Director and President	6.0840	–	6.0840	–	–
Mr. Tao Desheng ⁽³⁾	Vice Chairman and Non-Executive Director	15.2100	2.6050	7.6050	–	5.0000
Mr. Xu Guoxiang ⁽⁴⁾	Vice Chairman, Executive Director and Vice President	15.2100	7.6050	7.6050	–	–
Mr. Yang Daihong	Vice President	12.1680	–	6.0840	–	6.0840
Ms. Si Yanxia	Vice President and Chief Financial Officer	12.1680	6.0840	6.0840	–	–
Mr. Zhou Peng	Vice President	8.1120	4.0560	4.0560	–	–
Ms. Huang Yuxuan	Vice President	7.0980	3.5490	3.5490	–	–
Mr. Xu Peng	Vice President	6.0840	3.0420	3.0420	–	–
Mr. Yang Liang	Vice President, Secretary to the Board and Company Secretary	3.5490	–	3.5490	–	–
Ms. Hou Xuemei	Mid-level management	6.0840	–	3.0420	–	3.0420
Mid-level management and relevant core personnel of the Company (1,023 persons)		1,015.7588	463.8430	466.1509	67.3422	18.2014

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 10,000 share options, 10,000 share options and 6,050 share options on 1 September 2021, 2 September 2021 and 15 September 2021, respectively. The weighted average closing price of the A Shares of the Company on 31 August 2020, 1 September 2021 and 14 September 2021 was RMB40.14 per share.

(4) Mr. Xu Guoxiang exercised 76,050 share options on 11 June 2021. The closing price of the A Shares of the Company on 10 June 2021 was RMB50.50 per share.

(5) During the Year, except for Mr. Tao Desheng and Mr. Xu Guoxiang, the weighted average closing price of the A Shares of the Company for all other incentive participants under the First Grant in aggregate immediately preceding the exercise date was RMB43.52 per share.

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.

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

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

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

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

Incentive participant	Number of share options held as at 1 January 2021 <i>(0'000 share options)⁽¹⁾⁽²⁾</i>	Number of share options exercised during the Year <i>(0'000 share options)</i>	Number of share options held as at 31 December 2021 <i>(0'000 share options)</i>	Number of share options cancelled during the Year <i>(0'000 share options)</i>	Number of share options lapsed during the Year <i>(0'000 share options)</i>
Mid-level management and core personnel of the Company (157 persons)	183.1099	84.2593	82.7556	12.9400	3.1150

Notes: (1) The grant date of the aforesaid share options was 28 August 2019, and the exercise price was RMB28.87 per share. For details of the validity period and exercise period of the aforesaid share options, please refer to the relevant contents in "Incentive participants, maximum entitlement, validity period of the scheme" and "Vesting period, exercise period and exercise date" as set out above.

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

(3) During the Reporting Period, the weighted average closing price of the A Shares of the Company for all incentive participants under the Reserved Grant in aggregate immediately preceding the exercise date was RMB42.73 per share.

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 5,996,065 shares, including 5,168,509 share options under the First Grant and 827,556 share options under the Reserved Grant, which in aggregate represented 0.64% of the total issued share capital of the Company as at the End of the Period.

As at 31 December 2021, save as disclosed above, all the share options granted under the First Grant and the Reserved Grant have not been exercised, cancelled or lapsed.

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 R&D 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 then director of Livzon MAB and the then 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 adoption date of the Subsidiary Share Option Scheme), 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 adoption date of the Subsidiary Share Option Scheme), 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.

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.

XXI. SHARE OPTIONS INCENTIVE SCHEMES *(continued)***2. The Subsidiary Share Option Scheme** *(continued)***Duration of share options and vesting period** *(continued)*

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.

The Subsidiary Share Option Scheme was not implemented and therefore no Subsidiary Share Options were granted. During the Reporting Period, the Company reorganized the structure of platform companies in the biopharmaceutical field. In order to facilitate the reorganization (please refer to the relevant content of "Connected Transactions in Relation to Reorganization of Shareholding Structures of Controlling Subsidiaries" under "XIV. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES" in the Section VI 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 Company's 2020 fifth extraordinary general meeting considered and approved the revision of some provisions under the Ownership Scheme on 11 December 2020. On 30 December 2020, the Board considered and approved the postponement of implementing the First Phase Ownership Scheme under the Ownership Scheme (the "First Phase Ownership Scheme"). On 6 May 2021, the 2021 second extraordinary general meeting of the Company considered and approved the First Phase Ownership Scheme and its administrative measures (the "Administrative Measures").

The holders of the First Phase Ownership Scheme (the "Holders") include connected persons of the Company (the "Connected Holders"). The maximum share of subscription held by the Connected Holders (the "Maximum Share of Subscription") are 53,375,051 units, and the corresponding maximum subscription amount is RMB53,375,051. Pursuant to Chapter 17 of the Hong Kong Listing Rules, the First Phase Ownership Scheme does not constitute a share option scheme, and is a discretionary scheme of the Company.

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

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

On 19 May 2021, the first Holders' meeting under the First Phase Ownership Scheme considered and approved (i) the establishment of the management committee of the First Phase Ownership Scheme as the daily supervision and management agency for the First Phase Ownership Scheme; and (ii) the election of Mr. Tang Yanggang, Ms. Si Yanxia and Mr. Yang Liang as members of the management committee of the First Phase Ownership Scheme.

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

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

Purpose and benefits of the Ownership Scheme

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

Participation principles and target participants

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

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

XXII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME*(continued)***Source of funds**

Funds for participation of the Company's employees in the First Phase Ownership Scheme come from the special fund (the "Special Fund") of the First Phase Ownership Scheme set aside by the Company. There is no circumstance where the Company provides financial assistance to employees or provide guarantees for their loans, or where third parties provide incentives, grants and subsidies, and make up the balance to target participants. The total amount of funds to be held by the First Phase Ownership Scheme is RMB117,461,090, all of which are the Special Fund set aside by the Company.

The Special Fund shall be extracted 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 Fund with a compound growth rate of over 15%
X≤15%	0
15%<X≤20%	25%
20%<X	35%

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

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.

Source of shares

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

Number of Shares

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

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

XXII. MEDIUM TO LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME*(continued)***Duration and Lock-up period**

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

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

Management model

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

Disposal of interests

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

After the lock-up period of the First Phase Ownership Scheme expires, the Management Committee shall entrust the asset management agency to sell the Underlying Shares in a centralized manner. Where there is distributable income after the lockup period of the First Phase Ownership Scheme expires, the Management Committee shall allocate the distributable income. The Management Committee shall, after deducting relevant taxes and fees according to law, allocate the aforementioned distributable income according to the number of shares that are held by the Holders.

XXIII. PROFIT DISTRIBUTION PLAN

For 2021 profit distribution plan, please refer to “XVII. PROFIT DISTRIBUTION OF ORDINARY SHARES AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL OF THE COMPANY” in Section IV 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 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 and 20 May 2021, the 2019 annual general meeting and the 2020 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 and 2021, respectively.

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 2021. Shareholders, if necessary, shall seek professional advice from their tax and legal advisors for advices relating to tax payment or its impacts:

A Shareholders

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

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.

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 organizations or groups) shall be deemed to be H Shares held by non-resident enterprise shareholder(s), and the PRC enterprise income tax shall be withheld from dividends payable thereon. Non-resident enterprise shareholders may apply for a tax refund for the difference (if any) in accordance to relevant tax laws such as tax treaty (arrangement).

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 2021.

XXVII. ARRANGEMENT OF PURCHASING SHARES OR BONDS BY DIRECTORS

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

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 RMB19.45 million (2020: RMB10.81 million).

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

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

Executive Directors

Mr. Tang Yanggang (唐陽剛先生) (President)

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

Non-executive Directors

Mr. Zhu Baoguo (朱保國先生) (Chairman)

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

Mr. Qiu Qingfeng (邱慶豐先生)

Mr. Yu Xiong (俞雄先生)

Independent non-executive Directors

Mr. Bai Hua (白華先生)

Mr. Tian Qiusheng (田秋生先生)

Mr. Wong Kam Wa (黃錦華先生)

Mr. Luo Huiyuan (羅會遠先生) (appointed as an independent non-executive Director on 29 July 2021)

Ms. Cui Lijie (崔麗婕女士) (appointed as an independent non-executive Director on 29 July 2021)

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

28 March 2022

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

I. BASIC CORPORATE GOVERNANCE

During the year ended 31 December 2021, in strict accordance with the Company Law, the Securities Law, the Guidelines for Corporate Governance of Listed Companies, the Shenzhen Listing Rules, the Guideline No.1 on Self-Discipline Supervision of Companies Listed on the Shenzhen Stock Exchange – Standardized Operation of Companies Listed on the Main Board of the Shenzhen Stock Exchange, the Hong Kong Listing Rules and other requirements of normative documents relating to the governance of listed companies announced by the CSRC, the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, the Company constantly enhances the corporate governance structure and strengthens the internal control systems of the Company to achieve higher corporate governance standards. The Board believed that the actual conditions of corporate governance of the Company are compliant with the rules and requirements of normative documents including the Guidelines for Corporate Governance of Listed Companies without deviation.

During the Year, the decision-making and supervisory organs of the Company including the general meetings, the Board, 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 AND DE FACTO CONTROLLERS IN RESPECT OF BUSINESS, PERSONNEL, ASSET, ORGANISATION AND FINANCE

The Company is completely independent from its controlling shareholders in respect of business, personnel, asset, organizational 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 labor, 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 organization, 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 Joincare (the controlling Shareholder of the Company) and its controlling shareholder, namely Baiyeyuan (collectively the "Covenantors") entered into the non-competition undertakings letter, the details of which are set out in the section headed "FULFILLMENT OF UNDERTAKINGS" of this Report. The Covenantors have provided confirmations concerning their compliance with the terms of the non-competition undertaking letter, details are as follows:

Each of the Covenantors hereby confirmed that since the date of the non-competition undertaking letter (i.e. 10 January 2014) and up to 31 December 2021, each of the Covenantors and the companies under his/her/its control (other than the Company and its subsidiaries) have strictly complied with and enforced the terms of the non-competition undertaking without breaching any terms of the non-competition undertaking letter under any circumstances.

Independent Directors of the Company also conducted review on the performance of the non-competition undertaking by the Covenantors, and 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.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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	Meeting resolutions
2021 first extraordinary general meeting	Extraordinary general meeting	11.5648%	8 January 2021	9 January 2021	Consideration and approval of the Resolution of Reorganization of the Shareholding Structures of the Controlling Subsidiaries of the Company and Related Transactions
2021 second extraordinary general meeting	Extraordinary general meeting	53.8320%	6 May 2021	7 May 2021	Consideration and approval of the Resolution of the Draft and Summary of the First Phase Ownership Scheme under the Medium to Long-term Business Partner Share Ownership Scheme of the Company
2020 annual general meeting	Annual general meeting	53.0581%	20 May 2021	21 May 2021	Consideration and approval of the resolutions including the Work Report of the Board for the Year 2020, the Work Report of the Supervisory Committee for the Year 2020, the 2020 Annual Report of Livzon Pharmaceutical Group Inc. (full text and summary) and the 2020 Annual Profit Distribution Plan
2021 first class meeting of A Shareholders	Class meeting	45.0738%			
2021 First class meeting of H Shareholders	Class meeting	69.2824%			
2021 third extraordinary general meeting	Extraordinary general meeting	55.3769%	29 July 2021	30 July 2021	Consideration and approval of the Resolution of the Election of Independent Non-executive Directors of the Tenth Session of the Board and the Resolution of the Company's Provision of Financing Guarantees to Its Controlling Subsidiary Livzon MAB

IV. GENERAL MEETINGS CONVENED DURING THE YEAR *(continued)*

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

Meeting	Type of meeting	Participation Percentage of Investors	Date of meeting	Disclosure date of A Shares	Meeting resolutions
2021 fourth extraordinary general meeting	Extraordinary general meeting	11.2588%	10 December 2021	11 December 2021	Consideration and approval of the Resolution of a Three-year Continuing Guarantee Support Framework Agreement for 2022-2024 Entered Into Between the Company and Its Controlling Subsidiary Livzon MAB, the Continuing Connected Transactions of Provision of Financing Guarantees by the Company to Livzon MAB Contemplated Thereunder and the Annual Caps of the Guarantees

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

Applicable Not applicable

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO 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 2021 to 31 December 2021, the Company strictly complied with the principles and the code provisions (the "Code Provisions") in the Corporate Governance Code as set out in Part 2 of Appendix 14 of the Hong Kong Listing Rules, except for the following deviation:

According to F.2.2 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 2020 Annual General Meeting of the Company due to urgent business trip.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

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 2021 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 2021 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. Duties of the Board and Management

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

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 the Articles of Association, merger, division, dissolution or change in corporate form; (8) to determine the acquisition of the shares of the Company under the circumstances as required in (iii) to (vii) of the first paragraph of Article 27 of the Articles of Association within the authorization of the general meeting; (9) save as otherwise provided by the securities regulatory authorities and the stock exchanges where the shares of the Company is listed, to determine matters relating to the Company's external investment, asset acquisition and disposal, asset mortgage, external guarantee, asset management mandate and related transaction within the authorization 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.

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

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

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

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

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

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

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

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

Name	Position	Attendance of relevant meetings during their term of office/Number of relevant meetings held during their term of office	
		Board meetings	General meetings (including class meetings)
I. Executive Directors			
Tang Yanggang	Director and President	18/18	1/7
Xu Guoxiang	Vice Chairman and Vice President	18/18	0/7
II. Non-executive Directors			
Zhu Baoguo	Chairman	18/18	0/7
Tao Desheng	Vice Chairman	18/18	7/7
Qiu Qingfeng	Director	18/18	3/7
Yu Xiong	Director	18/18	0/7
III. Independent Non-executive Directors			
Bai Hua	Independent Director	18/18	5/7
Zheng Zhihua	Independent Director	12/12	3/6
Xie Yun	Independent Director	12/12	3/6
Tian Qiusheng	Independent Director	18/18	5/7
Wong Kam Wa	Independent Director	18/18	1/7
Luo Huiyuan	Independent Director	6/6	0/1
Cui Lijie	Independent Director	6/6	1/1

Note: Mr. Zheng Zhihua and Mr. Xie Yu retired as independent non-executive Directors of the Company with effect from 29 July 2021 due to the expiration of their respective 6-year term of office as Directors. On 29 July 2021, Mr. Luo Huiyuan and Ms. Cui Lijie were appointed as independent non-executive Directors of the Company, respectively.

Save as eighteen 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.

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

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

Training and professional development: Every newly appointed director will receive a comprehensive, formal and tailored induction on appointment to ensure that he has a proper understanding of the Company's operations and business and is fully aware of his duties and responsibilities under the Hong Kong Listing Rules and relevant statutory provisions. The Company arranged for Directors to participate in professional training organized by the CSRC and the Shenzhen Stock Exchange from time to time for obtaining training qualification certificates or qualification certificates recognized by relevant authority, and regularly provide all Directors with relevant updates on regulations, industry information and Directors' duties. Meanwhile, Directors are encouraged to participate in courses and lectures organized by professional institutions to enhance the Directors' continuous professional development and further education and update their knowledge and skills. All Director have provided records of training they have taken during the year ended 31 December 2021 and attended trainings rendered by professional groups and/or learned materials about their duties and responsibilities.

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

Note: Mr. Zheng Zhihua and Mr. Xie Yu retired as independent non-executive Directors of the Company with effect from 29 July 2021 due to the expiration of their respective 6-year term of office as Directors. On 29 July 2021, Mr. Luo Huiyuan and Ms. Cui Lijie were appointed as independent non-executive Directors of the Company, respectively.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

4. Chairman and President

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

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

The president, i.e. the chief executive officer (CEO), shall 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 authorized by the Articles of Association or the Board.

5. Independent Non-Executive Directors

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

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.

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO 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, and has established the Environmental, Social and Governance ("ESG") Committee (the "ESG Committee") to promote the development and implementation of ESG affairs of the Group.

Audit Committee

The Audit Committee under the tenth session of the Board comprises three independent non-executive Directors of the Company. The chairman of the committee is Mr. Bai Hua and other committee members are Mr. Tian Qiusheng and Mr. Luo Huiyuan (On 29 July 2021, Mr. Xie Yun and Mr. Zheng Zhihua retired as independent non-executive Directors and members of the Audit Committee of the Company after expiration of their respective 6-year term of office as Directors. On the same date, Mr. Tian Qiusheng and Mr. Luo Huiyuan were appointed as members of the Audit Committee of the tenth session of the Board). Mr. Bai Hua has appropriate accounting and financial management expertise as required under Rule 3.10 of the Hong Kong Listing Rules. The key responsibilities of the Audit Committee are to review the Company's financial reports; 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 18 March 2022, the Committee reviewed the 2021 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 11 January 2021, the third meeting of the Audit Committee of the tenth session of the Board was held by way of telecommunication, during which the Resolution on the 2020 Financial Audit Plan of Livzon Pharmaceutical Group Inc. was considered and approved.
- (2) On 5 March 2021, the fourth 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 2020 Audit Report (Draft) and the Resolution on Consideration of the 2020 Final Financial Report were considered and approved.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

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

Audit Committee *(continued)*

- (3) On 12 March 2021, the fifth 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 2020 Audit Report, the Resolution on Consideration of the 2020 Results Announcement and the Annual Report (Draft), the Resolution on Consideration of Continuing Related Transactions, the Resolution on Consideration of the 2020 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 2020 and the Resolution on Considering the Re-appointment of Grant Thornton (Special General Partnership) as the Audit Firm of the Company for the year 2021 were considered and approved.
- (4) On 20 April 2021, the sixth meeting of the Audit Committee of the tenth session of the Board was held by way of telecommunication, during which the Resolution on the Unaudited Consolidated Financial Statements and the Quarterly Results Announcement for Three Months Ended 31 March 2021 of the Company and its Subsidiaries was considered and approved.
- (5) On 23 August 2021, the seventh meeting of the Audit Committee of the tenth session of the Board was held by way of telecommunication, during which the Unaudited Interim Report, Interim Results Announcement and Financial Report for the Six Months Ended 30 June 2021 of the Company, the Resolution on Continuing Related Transaction of the Company for the First Six Months of 2021 and the Special Report on Deposit and the Actual Use of the Fund Raised by the Company for the First Six Months of 2021 were considered and approved.
- (6) On 22 October 2021, the eighth 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 2021 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 2021 were considered and approved.

Remuneration and Assessment Committee

The Remuneration and Assessment Committee under the tenth session of the Board is comprised of three independent non-executive Directors. The chairman of the committee is Mr. Tian Qiusheng (On 29 July 2021, Mr. Zheng Zhihua retired as an independent non-executive Director and the chairman 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. Tian Qiusheng was appointed as the chairman of the Remuneration and Assessment Committee of the tenth session of the Board) and other committee members are Ms. Cui Lijie (Mr. Tao Desheng ceased to serve as a member of the Remuneration and Assessment Committee of the Company with effect from 30 December 2021 due to work re-arrangement) and Mr. Bai Hua. The member composition is in compliance with the requirements under Rule 3.25 of the Hong Kong Listing Rules. The key responsibilities of the Remuneration and Assessment Committee are to assess and review and 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.

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO 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 two meetings to consider matters on assessing, reviewing and making recommendations to the Board on remuneration, remuneration policy and framework of the Directors and senior management of the Company (including president and vice president) and the interests of the Company as a whole and 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 report in this Report.

Nomination Committee

The Nomination Committee under the tenth session of the Board is comprised of three Directors. The chairman of the committee is Mr. Luo Huiyuan (independent non-executive Director) (On 29 July 2021, Mr. Xie Yun retired as an independent non-executive Director and the chairman of the Nomination Committee of the Company after expiration of his 6-year term of office as a Director. On the same date, Mr. Luo Huiyuan was appointed as the chairman of the Nomination Committee of the tenth session of the Board) and other committee members are Mr. Tian Qiusheng (independent non-executive Director) (On 29 July 2021, Mr. Zheng Zhihua retired as an independent non-executive Director and a member of the Nomination Committee of the Company after expiration of his 6-year term of office as a Director. On the same date, Mr. Tian Qiusheng was appointed as a member of the Nomination Committee of the tenth session of the Board) and Mr. Tao Desheng (non-executive Director). The member composition is in compliance with the requirements under Rule 3.27A of the Hong Kong Listing Rules. The key responsibilities of the Nomination Committee are to review the structure, number of members and composition of the Board (in respect of various areas including gender, ages, cultural and education background, skills, knowledge and experience); to study the criteria and procedures for selection and appointment of Directors and senior management, and to make recommendations thereon to the Board; to advise the Board on the appointment or re-appointment of Directors and succession plan for Directors (particularly the chairman and the president); and to evaluate the independence of independent non-executive Directors.

During the Year, the Nomination Committee held two meetings to consider the nomination of two independent non-executive Directors of the tenth session of Board, 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.

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)***8. Special Committees of the Board** *(continued)***Nomination Committee** *(continued)*

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

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

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

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

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

Strategy Committee

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

ESG Committee

The ESG Committee under the tenth session of the Board is comprised of five Directors. The chairman of the committee is Mr. Zhu Baoguo (non-executive Director), and other committee members are Mr. Tang Yanggang (executive Director), Mr. Bai Hua, Mr. Tian Qiusheng (On 29 July 2021, Mr. Zheng Zhihua retired as an independent non-executive Director and a member of the ESG Committee of the Company after expiration of his 6-year term of office as a Director. On the same date, Mr. Tian Qiusheng was appointed as a member of the ESG Committee of the tenth session of the Board) 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 three meetings to formulate the Group's environmental management targets for 2021 to 2025 and carbon emission targets, consider and approve the introduction of ESG assessment indicators in the appraisal of all members of the ESG working team, and review and evaluate the Group's energy conservation and emission reduction in 2020, the Group's ESG works in 2020 and the Group's achievement of environmental management objectives in the first half of 2021.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO 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:

Name	Position	Attendance of relevant meetings during their term of office/ Number of relevant meetings held during their term of office				
		Meetings of Audit Committee	Meetings of Nomination Committee	Meetings of Remuneration and Assessment Committee	Meetings of Strategy Committee	Meetings of ESG Committee
Zhu Baoguo	Non-executive Director and Chairman	N/A	N/A	N/A	0/0	3/3
Tang Yanggang	Executive Director	N/A	N/A	N/A	0/0	3/3
Tao Desheng	Non-executive Director and Vice Chairman	N/A	2/2	1/1	0/0	N/A
Bai Hua	Independent Non-executive Director	6/6	N/A	2/2	N/A	3/3
Xie Yun	Independent Non-executive Director	4/4	1/1	N/A	N/A	N/A
Zheng Zhihua	Independent Non-executive Director	4/4	1/1	0/0	N/A	1/1
Wong Kam Wa	Independent Non-executive Director	N/A	N/A	N/A	N/A	3/3
Tian Qiusheng	Independent Non-executive Director	2/2	1/1	2/2	N/A	2/2
Luo Huiyuan	Independent Non-executive Director	2/2	1/1	N/A	N/A	N/A
Cui Lijie	Independent Non-executive Director	N/A	N/A	1/1	N/A	N/A

Note: (1) On 29 July 2021, Mr. Zheng Zhihua retired as an independent non-executive Director, a member of the Audit Committee, the chairman of the Remuneration and Assessment Committee, a member of the Nomination Committee and a member of the ESG Committee of the Company due to the expiration of his 6-year term of office as a Director, while Mr. Xie Yun retired as an independent non-executive Director, a member of the Audit Committee and the chairman of the Nomination Committee of the Company due to the expiration of his 6-year term of office as a Director. (2) On 29 July 2021, Mr. Luo Huiyuan was appointed as an independent non-executive Director, a member of the Audit Committee and the chairman of the Nomination Committee of the Company, Ms. Cui Lijie was appointed as an independent non-executive Director of the Company, and Mr. Tian Qiusheng was appointed as a member of the Audit Committee, the chairman of the Remuneration and Assessment Committee, a member of the Nomination Committee and a member of the ESG Committee of the Company. (3) On 30 December 2021, Mr. Tao Desheng ceased to serve as a member of the Remuneration and Assessment Committee of the Company due to work re-arrangement, and Ms. Cui Lijie was appointed as a member of the Remuneration and Assessment Committee of the Company.

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO 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 provides its telephone number (86-756-8135888, 86-756-8135990, 86-756-8135992) and email address (LIVZON_GROUP@livzon.com.cn) to Shareholders for communicating with the Company.

Convening of general meetings

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

Easy Interactive Platform of the Shenzhen Stock Exchange

The Company collects valuable suggestions about the Company from the general investors through the Easy Interactive Platform (<http://irm.cninfo.com.cn>) of the Shenzhen Stock Exchange, and gives replies in detail to the questions raised by the general investors to the Company on the Easy Interactive Platform.

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.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

10. Shareholders' Rights *(continued)*

Procedure for convening general meetings by shareholders *(continued)*

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

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

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO 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. Meanwhile, the Company makes timely disclosure of these information on designated websites of the Shenzhen Stock Exchange and Hong Kong Stock Exchange and the website of the Company in strict accordance with the Shenzhen Listing Rules, the Hong Kong Listing Rules and relevant laws and regulations. Under any circumstances, the Company shall adopt prudent attitude to ensure it shall not make selective disclosure of any information that affects share prices.

11. Articles of Association

During the Year, the Company made no amendment to the Articles of Association.

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO 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.

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO 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 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.

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 centralized 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.

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES *(continued)***12. The Company's Profit Distribution Policy** *(continued)*

(3) Conditions and proportions for the distribution of profits *(continued)*

(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.

VI. AUDITORS' REMUNERATION

As at the end of the Year, Grant Thornton (Special General Partnership) provided to the Group (i) non-annual audit services for the year 2021 at the remuneration of RMB415,000 (tax inclusive), which included review of half-yearly financial statements, capital verification report, etc., and (ii) annual audit services for the year 2021 at the remuneration of RMB2,150,000 (tax inclusive), which included remuneration for auditing the financial statements for the year 2021 and remuneration for internal control audit). Other disclosure of the auditors' remuneration is set out in the "IX. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM" in Section VI of this Report.

VII. COMPANY SECRETARY

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

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

1. Board meetings during the Reporting Period

Meeting sessions	Date of meeting	Disclosure date	Meeting resolutions
Tenth meeting of the tenth session	11 January 2021	12 January 2021	Consideration and approval of the Resolution on the Equity Transfer and Capital Increase of Livzon Bio, Inc.
Eleventh meeting of the tenth session	18 January 2021	19 January 2021	Consideration and approval of, among others, the Resolution on the Capital Increase of Livzon Bio, Inc.
Twelfth meeting of the tenth session	27 January 2021	28 January 2021	Consideration and approval of the Resolution on the Equity Transfer of Livzon Biologics Hong Kong Limited
Thirteenth meeting of the tenth session	25 February 2021	26 February 2021	Consideration and approval of the Resolution on the Share Repurchase of Livzon Biologics Limited
Fourteenth meeting of the tenth session	22 March 2021	23 March 2021	Consideration and approval of, among others, the Work Report of the President for the year 2020, the Work Report of the Board for the year 2020, the 2020 Annual Profit Distribution Plan and the 2020 Annual Report of Livzon Pharmaceutical Group Inc. (Full Text and Summary)
Fifteenth meeting of the tenth session	8 April 2021	9 April 2021	Consideration and approval of, among others, the Resolution on the First Phase Ownership Scheme under the Medium to Long-term Business Partner Share Ownership Scheme of the Company (Draft) and its Summary
Sixteenth meeting of the tenth session	15 April 2021	16 April 2021	Consideration and approval of, among others, the Resolution on the Company's Provision of Financing Guarantees to Controlling Subsidiary Livzon MAB
Seventeenth meeting of the tenth session	21 April 2021	N/A	Consideration and approval of the 2021 First Quarterly Report of Livzon Pharmaceutical Group Inc.
Eighteenth meeting of the tenth session	7 May 2021	8 May 2021	Consideration and approval of the Resolution on the Launch of Futures Hedging Activities by Controlling Subsidiaries
Nineteenth meeting of the tenth session	31 May 2021	1 June 2021	Consideration and approval of, among others, the 2020 Environment, Social and Governance Report of the Company
Twentieth meeting of the tenth session	4 June 2021	5 June 2021	Consideration and approval of, among others, the Resolution on the Company's Provision of Financing Guarantees to Controlling Subsidiary Livzon MAB
Twenty-first meeting of the tenth session	6 July 2021	7 July 2021	Consideration and approval of, among others, the Resolution on the Nomination of the Independent Non-executive Director Candidates of the Tenth Session of the Board of the Company
Twenty-second meeting of the tenth session	29 July 2021	30 July 2021	Consideration and approval of, among others, the Resolution on the Election of the Members of the Special Committees of the Tenth Session of the Board of the Company
Twenty-third meeting of the tenth session	24 August 2021	25 August 2021	Consideration and approval of, among others, the 2021 Interim Report of Livzon Pharmaceutical Group Inc. (Full Text and Summary)
Twenty-fourth meeting of the tenth session	25 October 2021	26 October 2021	Consideration and approval of, among others, the 2021 Third Quarterly Report of Livzon Pharmaceutical Group Inc.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

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

Meeting sessions	Date of meeting	Disclosure date	Meeting resolutions
Twenty-fifth meeting of the tenth session	10 November 2021	11 November 2021	Consideration and approval of, among others, the Resolution relating to Cancellation of Certain Share Options under the 2018 Share Option Incentive Plan
Twenty-sixth meeting of the tenth session	17 November 2021	18 November 2021	Consideration and approval of the Resolution on the 2021 Fourth Extraordinary General Meeting Convened by the Company
Twenty-seventh meeting of the tenth session	30 December 2021	31 December 2021	Consideration and approval of, among others, the Resolution on the Projected Daily Related Transactions for 2022 of the Company

2. Directors' Attendance at Board Meetings and General Meetings

Directors' Attendance at Board Meetings and General Meetings							
Name of Director	Number of Board Meetings required to be attended during the Year	Attendance at Board Meeting(s) in person	Attendance at Board Meetings by telecommunication	Attendance at Board Meeting(s) by proxy	Absence from Board Meeting(s)	Unable to attend in person for two consecutive Board Meetings	Attendance at general meeting(s)
Tao Desheng	18	3	15	0	0	No	7
Xu Guoxiang	18	0	18	0	0	No	0
Tang Yanggang	18	2	16	0	0	No	1
Yu Xiong	18	0	18	0	0	No	0
Qiu Qingfeng	18	0	18	0	0	No	3
Bai Hua	18	0	18	0	0	No	5
Zheng Zhihua	12	0	12	0	0	No	3
Xie Yun	12	0	12	0	0	No	3
Tian Qiusheng	18	0	18	0	0	No	5
Wong Kam Wa	18	0	18	0	0	No	1
Luo Huiyuan	6	0	6	0	0	No	0
Cui Lijie	6	0	6	0	0	No	1

Explanation on the absence from the Board meeting twice in succession

Applicable Not applicable

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

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

Yes No

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

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

4. Other Explanations about Performance of Duties by Directors

Whether the opinions from the Directors of the Company are adopted

Yes No Not applicable

IX. SPECIAL COMMITTEES OF THE BOARD DURING THE REPORTING PERIOD

Name of committee	Members	Number of meetings convened	Date of meeting	Meeting details	Important opinions and recommendations proposed	Other performance of duties	Detailed objections (if any)
Audit Committee	Bai Hua, Luo Huiyuan and Tian Qiusheng	6	11 January 2021, 5 March 2021, 12 March 2021, 20 April 2021, 23 August 2021 and 22 October 2021	For details, please refer to the relevant content in "8. Special Committees of the Board" under "V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO THE HONG KONG LISTING RULES" in Section IV of this Report.	No	N/A	N/A
Remuneration and Assessment Committee	Bai Hua, Tian Qiusheng and Cui Lijie	2	10 November 2021 and 30 December 2021		No	N/A	N/A
Nomination Committee	Tao Desheng, Luo Huiyuan and Tian Qiusheng	2	5 July 2021 and 30 December 2021		No	N/A	N/A
Strategy Committee	Zhu Baoguo, Tang Yanggang and Tao Desheng	0	N/A		No	N/A	N/A
ESG Committee	Zhu Baoguo, Tang Yanggang, Bai Hua, Tian Qiusheng and Wong Kam Wa	3	31 March 2021, 25 October 2021 and 6 December 2021		No	N/A	N/A

X. WORK OF THE SUPERVISORY COMMITTEE

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

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

Yes No

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

XI. RISK MANAGEMENT AND INTERNAL CONTROL

In 2021, the risk management and internal control of the Company mainly focus on internal environment, risk assessment, control, information and communication and internal supervision. Its scope includes financial control, operational control, compliance control, ESG and other risks control, as well as principal business and major events of the Company and its subsidiaries with a focus on risk management and internal control for high risk areas including fund management, R&D, quality control, asset management, sales, related transactions. It focuses on daily regulated operations, integrity building, prevention and handling of internal and external risk in the operations.

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

The Company has established the department of audit and integrity, which is responsible for the internal audit and integrity building of each department of the Company. The department of audit and integrity carries out audit work in accordance with the audit plan established by the Company, performs audit annually on the risk management, internal control system and financial position of each subsidiary, confirms and assesses the completeness and effectiveness of risk management and internal control system of each subsidiary and continues to supervise and review. In accordance with the audit needs, the Company established an audit team comprising the department of audit and integrity (as the leader) and staff from departments of laws, human resources, finance, engineering center and production technology, in order to carry out a comprehensive internal control and special audit on subsidiaries of the Company, the off office audit and economic responsibility audit for the management staff and recommend remedies for existing problems, organize and complete internal audit correction and self-inspection of the subsidiaries. In 2021, the department of audit and integrity continued to strengthen the special audit of key businesses while fulfilling the Company's comprehensive audit plan, to achieve a full coverage of audit projects and audit matters. The department of audit and integrity shall prepare the comprehensive and special audit reports in accordance with specific audit contents, supervise the remedies of audited departments simultaneously, report to the management of the 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.

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

According to the requirement of optimizing corporate governance structure and internal control system of the Company, the Company was devoted to strengthening and optimizing risk management and internal control system, and internal audit work was gradually professionalized, formulated and standardized. The Company continued to strengthen the system establishment, build internal audit system which is aligned with the development of the Company, establish risk management procedure and guidance of various terms of reference, amend and optimize relevant audit system, code of conduct for audit personnel, audit standards, audit guidelines, complaints reporting management system and audit files management system. As at 31 December 2021, the department of audit and integrity completed 30 comprehensive internal control audits, 14 special audits and 5 economic responsibility audits of each subsidiary of the Group. The audit period spanned from 2013 to 2021. Through audits and supervision, problems in the internal environment can be understood timely, corporate risks are prevented, corruption in key operations is prevented and organizational goals are promoted.

In 2021, the Group continued to strengthen the procurement management of the assets, standardized procurement business processes, and formulated and strictly implemented corresponding systems. The Company required that the bulk procurement of materials and engineering equipment of each subsidiary should be subject to public bidding, while the Company's legal and compliance head department, production and technology head department and risk management head department shall participate together, perform their supervisory duties and standardize the tendering and procurement process to ensure the implementation of the supervision without vacancy and overstepping. The Group continued to improve the working procedures for tendering, bidding, procurement, supervision and management, as well as the bidding, supervision and management capacity, according to its practical work. The Group conducted audits in advance, maintained strict approval requirements, strengthened the tendering source and process, implemented comprehensive risk management, and adhered to the principal of intervention, control and inspection before, during and after each process. The Group conducted follow-up inspection of the construction process on a quarterly basis, including on-site construction progress and payment in relation to the procurement and use of materials, changes of construction volume, responsibilities of supervisors, and performed random inspection on information such as tendering (procurement) files, contracts and financial payments, so as to ensure the tendering and procurement business in compliance with standards, and being fair and reasonable.

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

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

The Board has acknowledged that it is responsible for the risk management and internal control systems and reviewing their effectiveness, and 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.

XII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. General

Name	Position	Status of office	Gender	Age	Commencement of term of office	Expiration of term of office	Number of shares held at the Beginning of the Period (shares)	Share option (units)	Increase in shareholdings during the Period (shares)		Other changes (shares)	Number of shares held at the End of the Period (shares)	Reason for changes in shareholdings
									Increase in shareholdings during the Period (shares)	Decrease in shareholdings during the Period (shares)			
Zhu Baoguo	Chairman	Current	Male	59	June 2002	30 June 2023	-	-	-	-	-	-	N/A
Tao Desheng	Vice Chairman and Non-executive Director	Current	Male	57	August 2014	30 June 2023	707,750	76,050	-	-	26,050	733,800	Exercise of share options
Xu Guoxiang	Vice Chairman, Executive Director and Vice President	Current	Male	59	June 2017 and December 2007	30 June 2023	707,750	76,050	-	-	76,050	783,800	Exercise of share options
Fang Yanggang	Executive Director and President	Current	Male	52	February 2019 and December 2018	30 June 2023	344,963	60,840	-	-	-	344,963	N/A
Qiu Qingfeng	Non-executive Director	Current	Male	50	April 2007	30 June 2023	-	-	-	-	-	-	N/A
Yu Xiong	Non-executive Director	Current	Male	61	June 2020	30 June 2023	-	-	-	-	-	-	N/A
Bai Hua	Independent Non-executive Director	Current	Male	52	June 2020	30 June 2023	-	-	-	-	-	-	N/A
Zheng Zhihua	Independent Non-executive Director	Resigned	Male	51	June 2015	July 2021	-	-	-	-	-	-	N/A
Xie Yun	Independent Non-executive Director	Resigned	Male	51	June 2015	July 2021	-	-	-	-	-	-	N/A
Tian Qiusheng	Independent Non-executive Director	Current	Male	66	October 2019	30 June 2023	-	-	-	-	-	-	N/A
Wong Kam Wa	Independent Non-executive Director	Current	Male	50	October 2019	30 June 2023	-	-	-	-	-	-	N/A
Luo Huijuan	Independent Non-executive Director	Current	Male	55	July 2021	30 June 2023	-	-	-	-	-	-	N/A
Cui Lijie	Independent Non-executive Director	Current	Female	46	July 2021	30 June 2023	-	-	-	-	-	-	N/A
Wang Maolin	Chief Supervisor	Current	Male	56	June 2014	30 June 2023	-	-	-	-	-	-	N/A
Huang Huamin	Supervisor	Current	Male	50	June 2013	30 June 2023	-	-	-	-	-	-	N/A
Tang Yin	Supervisor	Current	Male	47	February 2016	30 June 2023	-	-	-	-	-	-	N/A

XII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (continued)

1. General (continued)

Name	Position	Status of office	Gender	Age	Commencement of term of office	Expiration of term of office	Number of shares held at the Beginning of the Period (shares)	Share option (units)	Increase in shareholdings during the Period (shares)	Decrease in shareholdings during the Period (shares)	Other changes (shares)	Number of shares held at the End of the Period (shares)	Reason for changes in shareholdings
Yang Dailong	Vice President	Current	Male	55	May 2006	30 June 2023	468,979	60,840	-	-	-	468,979	N/A
Si Yanxia	Vice President	Current	Female	53	June 2014	30 June 2023	343,583	60,840	-	-	60,840	404,423	Exercise of share options
Zhou Peng	Vice President	Current	Male	58	November 2016	30 June 2023	220,644	40,560	-	-	40,560	261,204	Exercise of share options
Huang Yuxuan	Vice President	Current	Female	55	October 2018	30 June 2023	99,828	35,490	-	-	35,490	135,318	Exercise of share options
Xu Peng	Vice President	Current	Male	65	April 2020	30 June 2023	40,560	30,420	-	-	30,420	70,980	Exercise of share options
Yang Liang	Vice President, Secretary to the Board and Company Secretary	Current	Male	38	June 2014 and June 2020	30 June 2023	202,897	35,490	-	-	-	202,897	N/A
Total	--	--	--	--	--	--	3,136,954	476,580	-	-	269,410	3,406,364	--

XII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)***2. Whether there is resignation of Directors and Supervisors and Dismissal of senior management during their terms of office during the Reporting Period**✓ Yes No

Mr. Zheng Zhihua and Mr. Xie Yun resigned as independent non-executive Directors with effect from 29 July 2021 due to expiration of their respective 6-year term of office as Directors.

3. Changes in Directors, Supervisors and Senior Management of the Company✓ Applicable Not applicable

Name	Position	Type	Date	Reason
Mr. Luo Huiyuan	Independent Non-executive Director and member of special committees of the Board	Appointed	29 July 2021	Appointed as an independent non-executive Director of the Company after consideration and approval by the 2021 third extraordinary general meeting of the Company, and appointed as a member of the Audit Committee and the chairman of the Nomination Committee of the Company after consideration and approval by the Board.
Ms. Cui Lijie	Independent Non-executive Director	Appointed	29 July 2021	Appointed as an independent non-executive Director of the Company after consideration and approval by the 2021 third extraordinary general meeting of the Company.
	Member of special committees of the Board	Appointed	30 December 2021	Appointed as a member of the Remuneration and Assessment Committee of the Company after consideration and approval by the Board.
Mr. Zheng Zhihua	Independent Non-executive Director and member of special committees of the Board	Retired due to the expiration of term of office	29 July 2021	Retired as an independent non-executive Director of the Company due to the expiration of his 6-year terms of office as a Director, and ceased to be a member of the Audit Committee, the chairman of the Remuneration and Assessment Committee, a member of the Nomination Committee and a member of the Environmental, Social and Governance Committee of the Company following his retirement.
Mr. Xie Yun	Independent Non-executive Director and member of special committees of the Board	Retired due to the expiration of term of office	29 July 2021	Retired as an independent non-executive Director of the Company due to the expiration of his 6-year term of office as a Director, and ceased to be a member of the Audit Committee and the chairman of the Nomination Committee of the Company following his retirement.
Mr. Tian Qiusheng	Member of special committees of the Board	Appointed	29 July 2021	Appointed as a member of the Audit Committee, the chairman of the Remuneration and Assessment Committee, a member of the Nomination Committee and a member of the Environmental, Social and Governance Committee of the Company after consideration and approval by the Board.
Mr. Tao Desheng	Member of special committees of the Board	Resigned	30 December 2021	Mr. Tao Desheng ceased to be a member of the Remuneration and Assessment Committee of the Company with effect from 30 December 2021 due to work re-arrangement.

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

1. Brief Biographies of Executive Directors

Mr. Tang Yanggang (唐陽剛), aged 52, is currently our executive Director, the president, a member of the Strategy Committee and the Environmental, Social and Governance Committee and the authorized representative of the Company under Rule 3.05 of the Hong Kong Listing Rules and also serves as a director in other subsidiaries of the Group. Mr. Tang graduated from Sichuan University (四川大學) with a bachelor degree in microbiology in 1992 and is a senior pharmaceutical engineer. In 2008, he joined Xinbeijiang 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.

Mr. Xu Guoxiang (徐國祥), aged 59, is currently our executive Director, vice chairman and vice president, and also serves as a director in other subsidiaries of the Group. From November 2010 to November 2011, Mr. Xu attended an advanced EMBA course in the PRC's pharmaceutical industry organized by the Medical School of Peking University (北京大學醫學部) and obtained a completion certificate. From 2000 to 2005, Mr. Xu was a director of Yangtze River Pharmaceutical Co., Ltd. (揚子江製藥股份有限公司). In March 2007, he was the chief sale supervisor of the Company and the general manager of our branch company in Henan Province. Mr. Xu has been the vice president of the Company since December 2007. He has been a director of Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司) (formerly known as Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司)) since April 2020. He has been a director of Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) since May 2021. He is currently the vice chairman of China Association of Pharmaceutical Commerce, the standing council member of the Chinese Hospital Association, the council member of the Bethune Charitable Foundation and the vice chairman of Guangdong Pharmaceutical Price Association (廣東省醫藥價格協會). Since June 2017, he has been the executive Director of the Company.

2. Brief Biographies of Non-Executive Directors

Mr. Zhu Baoguo (朱保國), aged 59, is currently the chairman, non-executive Director, the chairman of the Strategy Committee and the Environmental, Social and Governance Committee of the Company, and also serves as a director in other subsidiaries of the Group. Mr. Zhu obtained his bachelor's degree from the school of chemistry of Henan Normal University (河南師範大學) in 1985. Since 2002, Mr. Zhu has been the chairman of the Board and from April 2006 to September 2013, he also served as the president of the Company. Mr. Zhu Baoguo is the founder of 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). Since May 2021, he has been the independent non-executive director of Central China Management Company Limited (09982.HK). Mr. Zhu Baoguo is the spouse of Ms. Liu Guangxia (劉廣霞女士), one of our controlling shareholders.

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

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

Mr. Tao Desheng (陶德勝), aged 57, joined the Company in 1985 and is currently the non-executive Director, vice chairman and a member of the Strategy Committee and the Nomination Committee of the Company, and also serves as a director in other subsidiaries of the Group. Mr. Tao graduated from the school of pharmaceutical chemistry of China Pharmaceutical University (南京藥學院) with a bachelor's degree in science. From 2000 to 2002, Mr. Tao attended a graduate course in enterprise management organized by the School of Business of Sun Yat-sen University (中山大學管理學院). Mr. Tao obtained his license in pharmacist qualification in October 2002 and the title of senior engineer in pharmaceutical manufacturing (professor) in 2013. Mr. Tao was the vice president and president of the Company from June 2005 to March 2014 and from March 2014 to December 2018, respectively. He was our executive Director from July 2009 to December 2018. Mr. Tao has been the vice chairman of the Company since August 2014.

Mr. Qiu Qingfeng (邱慶豐), aged 50, is currently the non-executive Director of the Company. Mr. Qiu obtained his EMBA from China Europe International Business School (中歐國際工商學院) in September 2007. He is a non-practicing member of the Chinese Institute of Certified Public Accountants. Mr. Qiu joined Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司) in 1996. Mr. Qiu has been a director of Joincare since August 2009 and has been a vice president and the chief financial officer of Joincare since November 2020. Mr. Qiu was the Supervisor and the chief Supervisor of the Company from June 2005 to April 2007. Mr. Qiu has been the non-executive Director of the Company since April 2007.

Mr. Yu Xiong (俞雄), aged 61, is currently the non-executive Director of the Company. He is a researcher, Bachelor of Science from Fudan University (復旦大學). In 2004, Mr. Yu completed a short program on modern business management at the Catholic University of Leuven (魯文大學) in Belgium; from July 2005 to January 2006, he had been a senior visiting scholar at California State University, Northridge (美國加州州立大學北嶺分校). He was a director and deputy dean of the Chemistry Department of Shanghai Pharmaceutical Industry Research Institute, deputy dean of China National Pharmaceutical Industry Research Institute. He served as a director of Shanghai Shyndec Pharmaceutical Co., Ltd. (上海現代製藥股份有限公司) (600420.SH), an independent director of Shandong Lukang Pharmaceutical Co., Ltd. (山東魯抗醫藥股份有限公司) (600789.SH), Guangdong Taiantang Pharmaceutical Co., Ltd. (廣東太安堂藥業股份有限公司) (002433.SZ), the Company and Shandong Xinhua Pharmaceutical Co., Ltd. (山東新華製藥股份有限公司) (000756.SZ). He was a general manager and the chairman of Sinopharm Group Yangzhou Weike Biological Engineering Co., Ltd. (國藥集團揚州威克生物工程股份有限公司). 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. Since August 2021, he has been the director of Joincare. Since May 2018, he has been the director of Shanghai Huatai Investment and Development Co., Ltd. (上海華太投資發展有限公司). He has been the chairman of Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司), a controlling subsidiary of Joincare since November 2018. Since December 2020, he has been the executive director of Guangzhou Joincare Respiratory Drugs Engineering Technology Co., Ltd. (廣州健康元呼吸藥物工程技術有限公司), an invested company of Joincare. He has been an independent director of 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 also serves concurrently as an honorary director of the Chinese Pharmaceutical Association, an honorary chairman of the Pharmaceutical Engineering Professional Committee, an honorary director of Shanghai Society of Chemistry and Chemical Industry and an adjunct professor of East China University of Science (華東理工大學). Since November 2021, he has been the chairman of Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司). Mr. Yu has been the non-executive Director of the Company since June 2020.

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

3. Brief Biographies of Independent Non-executive Directors

Mr. Bai Hua (白華), aged 52, is currently the independent non-executive Director, the chairman of the Audit Committee, a member of the Remuneration and Assessment Committee and the Environmental, Social and Governance Committee of the Company. Mr. Bai Hua is a Chinese Certified Public Accountant (non-practicing). He graduated from the Business School of Wuhan University in 2003 with a doctorate degree in management. He has extensive experience in research and practices of corporate governance, risk management and internal control. He is currently a professor and doctoral tutor of the Accounting Department of the School of Management of Jinan University (暨南大學). He is also a director of the Guangdong Auditing Society and a member of the Publicity Committee of the Guangdong Certified Public Accountants Association. He was an independent director of Youngy Co., Ltd. (融捷股份有限公司) (002192.SZ) from April 2012 to October 2017. He was an independent director of MIG Unmobi Technology Inc. (廣東明家聯合移動科技股份有限公司) (300242.SZ, now renamed as KAISA JiaYun Technology Inc. (廣東佳兆業佳雲科技股份有限公司)) from December 2014 to January 2018. He was an independent director of Guangzhou Echom Science & Technology Co., Ltd. (廣州毅昌科技股份有限公司) (002420.SZ) from October 2013 to October 2019. He was an independent director of Yipinhong Pharmaceutical Co., Ltd. (一品紅藥業股份有限公司) (300723.SZ) from November 2015 to November 2018. He has been an independent director of Shenzhen Expressway Company Limited (深圳高速公路股份有限公司) (600548.SH, 00548.HK) since February 2018. Since November 2018, he has been an independent director of Guangdong Hongxing Industrial Co., Ltd. (廣東洪興實業股份有限公司) (001209.SZ) (listed on the Shenzhen Stock Exchange on 23 July 2021). Since June 2020, he has been an independent director of Guangzhou Improve Medical Instruments Co., Ltd. (廣州陽普醫療科技股份有限公司) (300030.SZ). Since April 2021, he has been an independent director of Skyworth Digital Co., Ltd. (創維數字股份有限公司) (000810.SZ). Mr. Bai has been the independent non-executive Director, the chairman of the Audit Committee, a member of the Remuneration and Assessment Committee and a member of the Environmental, Social and Governance Committee of the Company since June 2020.

Mr. Luo Huiyuan (羅會遠), aged 55, is currently the independent non-executive Director, a member of the Audit Committee and the chairman of the Nomination Committee of the Company. Mr. Luo graduated from the Law School of Anhui University (安徽大學) and obtained a bachelor's degree in law in 1989. He graduated from the Renmin Law School (中國人民大學法學院) and obtained a master's degree in law in 2000. He is the senior partner of Beijing Hai Run Law Firm (北京海潤天睿律師事務所). He concurrently serves a council member and the vice chairman of Finance & Taxation Committee of Beijing Chaoyang District Lawyers Association (北京市朝陽區律師協會). He was a member of the sixth session of Listed Company Merger and Reorganization Examination Committee of China Securities Regulatory Commission (中國證券監督管理委員會第六屆上市公司併購重組審核委員會) from July 2016 to June 2019. He was an independent director of Suzhou Yangtze New Materials Co., Ltd. (蘇州揚子江新型材料股份有限公司) (002652.SZ) from January 2018 to January 2021. He was a principal of Beijing Hai Run Law Firm (北京海潤天睿律師事務所) from May 2018 to December 2021. He has been an independent director of Tibet Tianlu Co., Ltd. (西藏天路股份有限公司) (600326.SH) since January 2016, an independent director of Shanghai Challenge Textile Co., Ltd. (上海嘉麟傑紡織品股份有限公司) (002486.SZ) since January 2017, an independent director of CNPC Capital Company Limited (中國石油集團資本股份有限公司) (000617.SZ) since April 2017, an independent director of Xianheng International Science & Technology Co., Ltd. (咸亨國際科技股份有限公司) (605056.SH) since September 2017, and an independent director of Rosefinch Fund Management Co., Ltd. (朱雀基金管理有限公司) since September 2020. Mr. Luo has been the independent non-executive Director, a member of the Audit Committee and the chairman of the Nomination Committee of the Company since July 2021.

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)***3. Brief Biographies of Independent Non-executive Directors** *(continued)*

Ms. Cui Lijie (崔麗婕), aged 46, is currently the independent non-executive Director and a member of the Remuneration and Assessment Committee of the Company. Ms. Cui holds a postgraduate degree. She was a director and the secretary to the board of Zhuhai Ebang Pharmaceutical Co., Ltd. (珠海億邦製藥股份有限公司). She is a member of the Zhuhai Committee of Jiusan Society, a member of Zhuhai Committee (Jinwan District) of the Chinese Peoples' Political Consultative Conference (珠海市金灣區政協委員會) and an executive member of Zhuhai Women Federation (Jinwan District) (珠海市金灣區婦女聯合會). Ms. Cui has experience of over twelve years in areas of operation and management of pharmaceutical companies and operation in capital markets, as well as experience of over five years in the field of risk management. She has been an executive director and the general manager of Zhuhai Longmen Healthcare Investment and Management Co., Ltd. (珠海隆門醫療投資管理有限公司) since April 2016, an executive director and the general manager of Zhuhai Hengqin New Area Longmen Asset Management Co., Ltd. (珠海橫琴新區隆門資產管理有限公司) since August 2016, the chairman of Zhuhai Longmen Capital Management Co., Ltd. (珠海隆門資本管理有限公司) since December 2016, a supervisor of Suzhou Iron Technology Co., Ltd. (蘇州艾隆科技股份有限公司) (688329.SH) from May 2017 to May 2021, a director of Suzhou Yusen New Medicine Co., Ltd. (蘇州玉森新藥有限公司) since April 2018, a director of Deyi Sunshine (Beijing) Co., Ltd (德益陽光(北京)有限公司) since June 2020, and an non-independent director of Suzhou Iron Technology Co., Ltd. (688329.SH) since May 2021. Ms. Cui has been the independent non-executive Director of the Company since July 2021 and a member of the Remuneration and Assessment Committee of the Company since December 2021.

Mr. Tian Qiusheng (田秋生), aged 66, is currently the independent non-executive Director, a member of the Audit Committee, the chairman of the Remuneration and Assessment Committee, a member of the Nomination Committee and the Environmental, Social and Governance Committee of the Company. Mr. Tian is a doctor of economics, professor and doctoral tutor. He had studied at Lanzhou University (蘭州大學), Nankai University (南開大學) and Northwest University (西北大學). From July 1982 to July 2005, he taught at Lanzhou University and served as deputy director of the Department of Economics and deputy head of the School of Economics and Management of Lanzhou University. Since July 2005, he has taught at South China University of Technology (華南理工大學). From October 2005 to June 2017, he served as deputy head of the School of Economics and Trade of South China University of Technology. He is currently a 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 Living Services Group Limited (9978.HK) (formerly known as Fineland Real Estate Services Group Limited(08376.HK), which transferred the listing from GEM to the Main Board on 28 May 2020) since October 2017. Mr. Tian has been the independent non-executive Director of the Company since October 2019. He has been a member of the Audit Committee, the chairman of the Remuneration and Assessment Committee, a member of the Nomination Committee and the Environmental, Social and Governance Committee of the Company since July 2021.

Mr. Wong Kam Wa (黃錦華), aged 50, is currently our independent non-executive Director and a member of the Environmental, Social and Governance Committee. Mr. Wong is a lawyer who graduated from the University of Hong Kong with a bachelor degree in engineering and a certificate in law. From May 2011 to March 2016, he worked for Loeb & Loeb LLP. From April 2016 to July 2019, he worked for Anthony Siu & Co.. Since July 2019, he has been a partner of TW Partners. Mr. Wong has been the independent non-executive Director of the Company since October 2019. He has been a member of the Environmental, Social and Governance Committee of the Company since June 2021.

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

4. Brief Biographies of Supervisors of the Company

Mr. Wang Maolin (汪卯林), aged 56, graduated from the Law School of Anhui University (安徽大學) and obtained a bachelor's degree in law. Since January 2001, Mr. Wang has been the general manager of the legal and compliance head department of the Company. Mr. Wang has been the chairman of the labor union of the Company and the employee representative supervisor of the Supervisory Committee since January 2010. Since January 2012, Mr. Wang was re-elected as a representative of the 8th, the 9th and the 10th Zhuhai People's Congress. He has been the chief Supervisor of the Supervisory Committee of the Company since June 2014.

Mr. Huang Huamin (黃華敏), aged 50, 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(有限合伙)). Since August 2020, he has been the executive director of Kuangshi Investment (Zhuhai) Co., Ltd. (匡時投資(珠海)有限公司). From October 2020 to November 2021, he has been a director and the general manager of Sichuan Danzhuer Equity Investment Fund Management Co., Ltd. (四川丹朱爾股權投資基金管理有限公司). Since November 2020, he was an investment advisor to Zhuhai Security Group Co., Ltd. (珠海安保集團有限公司) (formerly known as 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). Since July 2021, he has been the director of Shenzhen Huachuang Life Co., Ltd. (深圳市華創生活股份有限公司) (873207.NEEQ). Since October 2021, he has been the director (external affairs) of Yuanxin (Zhuhai) Private Equity Fund Management Co., Ltd. (遠信(珠海)私募基金管理有限公司). Since November 2021, he has been the Secretary-General of Zhuhai Association for Listed Companies (珠海上市掛牌企業協會). Mr. Huang has been a Supervisor of the Supervisory Committee of the Company since June 2013.

Mr. Tang Yin (湯胤), aged 47, 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, a professor and a master tutor of School of Management. From January 2012 to October 2020, he has been an assistant to the dean of School of Entrepreneurship at Jinan University (暨南大學). Since 2012, he has been the director of Internet Innovation Institute. Since March 2020, he has been the deputy director of Experimental Education Center of Economics and Management (National) of Jinan University (暨南大學經濟管理(國家級)實驗教學示範中心). He is also the deputy secretary-general of Guangzhou Internet Association, HK-GZ Innovation and Technology Association (香港廣州創新及科技協會副會長), 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.

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)***5. Brief Biographies of Other Senior Management of the Company**

Mr. Yang Daihong (楊代宏), aged 55, joined the Company in 1997 and is currently the vice president of the Company, has a title of senior engineer and is a licensed pharmacist. He studied at China Pharmaceutical University (中國藥科大學) from 1984 to 1988 and obtained a bachelor's degree of science. From 2000 to 2002, Mr. Yang attended a course in enterprise management organized by the School of Business of Sun Yat-Sen University (中山大學管理學院). From 1999 to 2009, Mr. Yang was the deputy factory manager and factory manager of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠). Mr. Yang was an executive Director of the Company from October 2014 to June 2017, and he has been the vice president of the Company since May 2006.

Ms. Si Yanxia (司燕霞), aged 53, 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 58, is currently the vice president of the Company. He graduated from the Hubei University of Medicine (湖北醫學院) with a bachelor degree in medicine in 1985. He obtained attending physician title in 1994. He completed the course of postgraduate course training class of enterprise management in the School of Business of Sun Yat-Sen University (中山大學管理學院) from 2000 to 2002. He joined the Group in 1999 and 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 from May 2019 to April 2021, and the general manager of administration head department of the Company since April 2021. He is also the vice president of the Red Cross Society of Zhuhai, the vice president of Zhuhai Medical Association, 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.

Ms. Huang Yuxuan (黃瑜璇), aged 55, 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.

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

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

Mr. Xu Peng (徐朋), aged 65, is currently the vice president of the Company. He obtained a Ph.D. from University of Iowa in the United States. Mr. Xu Peng is a senior expert in the field of microsphere preparation and a technical director of the first domestic launched prolonged-action microsphere injection product (Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球)). In 1993, he acted as a senior researcher at the R&D Department of Gensia Pharmaceutical Inc. in the United States. Mr. Xu served as a partner of FPX (a biopharmaceutical company) in the United States from 1998 to 2004, and the Chief Executive Officer of Nanning Dizhi Pharmaceutical Co., Ltd. (南寧迪智藥業有限公司) in Guangxi from 2005 to 2013. He has been the executive deputy director of the Group's National and Local United Engineering Research Center for Prolonged-action Microsphere from 2015 to April 2020, and its executive director since April 2020. Mr. Xu is also a leader of the Innovation and Entrepreneurship Team introduced by the "Pearl River Talent Plan" (珠江人才計劃) of Guangdong Province, and a leader of the Innovation and Entrepreneurship Team of Zhuhai City. He has been the vice president of the Company since April 2020.

Mr. Yang Liang (楊亮), aged 38, is currently the vice president of the Company, the secretary to the Board, company secretary and authorized representative of the Company. In 2006, he graduated from Jinan University (暨南大學) with a bachelor degree in management. In 2008, he graduated from the School of Business Administration, South China University of Technology (華南理工大學) with a master degree in management. He obtained the Fund Qualification Certificate, and is eligible to be an independent director. From May 2008 to June 2010, Mr. Yang worked successively as strategic development director and investment and acquisition manager in Zhuhai Wiseman Co., Ltd (珠海威絲曼服飾股份有限公司). From July 2010 to July 2011, he served as the strategic performance director in the department of enterprises management of China International Marine Containers (Group) Ltd. (中國國際海運集裝箱(集團)股份有限公司) (CIMC, 000039.SZ, 02039.HK). He joined the Secretariat of the Board of the Company as senior investment project manager in August 2011. He obtained the Certificate of Secretary to the Board issued by Shenzhen Stock Exchange in December 2012 and the Certificate of Affiliated Person of the Hong Kong Institute of Chartered Secretaries in December 2014. He has been a fellow of the Chartered Governance Institute and a fellow of The Hong Kong Chartered Governance Institute since March 2022. He has been the secretary to the Board, the company secretary and authorized representative of the Company since June 2014 and the vice president of the Company since June 2020.

6. Positions Held in Shareholders' Company

✓ Applicable Not applicable

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

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

7. Positions Held in Other Entities

✓ Applicable □ Not applicable

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Zhu Baoguo	Shenzhen 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
	Central China Management Company Limited (09982.HK)	Independent non-executive director	May 2021		Yes
Tang Yanggang	Qingyuan Entrepreneur Association (清遠企業家協會)	Vice chairman	August 2012		No
	Qingyuan Federation of Industry and Commerce (清遠市工商業聯合會)	Vice president	November 2016		No
	Qingyuan Municipal Political Consultative Conference (清遠市政協)	Member	January 2017		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
	Guangdong Pharmaceutical Price Association (廣東省醫藥價格協會)	Vice chairman	November 2018		No
	Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	Director	May 2021		No

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

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

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

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*7. Positions Held in Other Entities *(continued)*

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Bai Hua	Accounting Department of the School of Management of Jinan University (暨南大學管理學院會計學系)	Professor	October 2014		Yes
		Doctoral tutor	September 2015		Yes
	Guangdong Auditing Society (廣東省審計學會)	Director	September 2009		No
	Guangdong Certified Public Accountants Association (廣東省註冊會計師協會)	Member of the Publicity Committee	October 2010		No
	Shenzhen Expressway 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
	MIG Unmobi 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 Echow Science & Technology Co., Ltd. (廣州毅昌科技股份有限公司) (002420.SZ)	Independent director	October 2013	October 2019	Yes
	Yipinhong Pharmaceutical Co., Ltd. (一品紅藥業股份有限公司) (300723.SZ)	Independent director	November 2015	November 2018	Yes
	Guangdong Hongxing Industrial Co., Ltd. (廣東洪興實業股份有限公司) (001209.SZ) (listed on the Shenzhen Stock Exchange on 23 July 2021)	Independent director	November 2018		Yes
Skyworth Digital Co., Ltd. (創維數字股份有限公司) (000810.SZ)	Independent director	April 2021		Yes	

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

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

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Luo Huiyuan	Beijing Hai Run Law Firm	Chief officer	May 2018	December 2021	Yes
	(北京海潤天睿律師事務所)	Senior Partner	December 2017		Yes
	Beijing Chaoyang District Lawyers Association	Council member and vice chairman of Finance & Taxation Committee	September 2018		No
	(北京市朝陽區律師協會)				
	Suzhou Yangtze New Materials Co., Ltd.	Independent director	January 2018	January 2021	Yes
	(蘇州揚子江新型材料股份有限公司)				
	(002652.SZ)				
	Tibet Tianlu Co., Ltd. (西藏天路股份有限公司)	Independent director	January 2016		Yes
	(600326.SH)				
Shanghai Challenge Textile Co., Ltd.	Independent director	January 2017		Yes	
(上海嘉麟傑紡織品股份有限公司)					
(002486.SZ)					
CNPC Capital Company Limited	Independent director	April 2017		Yes	
(中國石油集團資本股份有限公司)					
(000617.SZ)					
Xianheng International Science & Technology Co., Ltd. (咸亨國際科技股份有限公司)	Independent director	September 2017		Yes	
(605056.SH)					
Rosefinch Fund Management Co., Ltd.	Independent director	September 2020		Yes	
(朱雀基金管理有限公司)					
Cui Lijie	Zhuhai Committee of Jiusan Society	Committee member	July 2016		No
	(九三學社珠海市委員會)				
	Zhuhai Committee (Jinwan District) of the Chinese Peoples' Political Consultative Conference (珠海市金灣區政協委員會)	Standing committee member	January 2016		No
	Zhuhai Women Federation (Jinwan District) (珠海市金灣區婦女聯合會)	Executive committee member	March 2013		No
	Zhuhai Longmen Healthcare Investment and Management Co., Ltd. (珠海隆門醫療投資管理有限公司)	Executive director and general manager	April 2016		No
Zhuhai Hengqin New Area Longmen Asset Management Co., Ltd. (珠海橫琴新區隆門資產管理有限公司)	Executive director and general manager	August 2016		No	

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*7. Positions Held in Other Entities *(continued)*

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
	Zhuhai Longmen Capital Management Co., Ltd. (珠海隆門資本管理有限公司)	Chairman	December 2016		No
	Suzhou Iron Technology Co., Ltd. (蘇州艾隆科技股份有限公司) (688329.SH)	Supervisor	May 2017	May 2021	No
	Suzhou Yusen New Medicine Co., Ltd. (蘇州玉森新藥有限公司)	Director	April 2018		No
	Deyi Sunshine (Beijing) Co., Ltd. (德益陽光(北京)有限公司)	Director	June 2020		No
	Suzhou Iron Technology Co., Ltd. (蘇州艾隆科技股份有限公司) (688329.SH)	Non-independent director	May 2021		No
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 Living Services Group Limited (9978.HK) (formerly known as Fineland Real Estate Services Group Limited (08376.HK), which transferred the listing from GEM to the Main Board on 28 May 2020, new stock code: 9978)	Independent non-executive director	October 2017		Yes

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

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

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Wang Maolin	Zhuhai Committee of Jiusan Society (九三學社珠海市委員會)	Deputy chairman	July 2016	July 2021	No
	9th Zhuhai People's Congress (珠海市第九屆人民代表大會)	Representative	January 2017	January 2022	No
	10th Zhuhai People's Congress (珠海市第十屆人民代表大會)	Representative	January 2022		No
Huang Huamin	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 Guanjing Enterprise Management Center (LLP) (珠海觀鯨企業管理中心 (有限合夥))	Managing partner	April 2020		No
	Kuangshi Investment (Zhuhai) Co., Ltd. (匡時投資(珠海)有限公司)	Executive director	August 2020		No
	Kuangshi Investment (Zhuhai) Co., Ltd. (匡時投資(珠海)有限公司)	General Manager	August 2020	October 2021	Yes
	Sichuan Danzhuer Equity Investment Fund Management Co., Ltd. (四川丹朱爾股權投資基金管理有限公司)	Director, general manager	October 2020	November 2021	No
	Zhuhai Security Group Co., Ltd. (珠海安保集團有限公司) (former name: 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	September 2021	No
		Director	December 2020		No

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*7. Positions Held in Other Entities *(continued)*

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
	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
	Shenzhen Huachuang Life Co., Ltd. (深圳市華創生活股份有限公司) (873207. NEEQ)	Director	July 2021		Yes
	Yuanxin (Zhuhai) Private Equity Fund Management Co., Ltd. (遠信 (珠海) 私募基金管理有限公司)	Director (external affairs)	October 2021		Yes
	Zhuhai Association for Listed Companies (珠海上市掛牌企業協會)	Secretary-General	November 2021		Yes
Tang Yin	School of Management, Jinan University (暨南大學管理學院)	Deputy professor, master tutor	September 2004	October 2020	Yes
	School of Entrepreneurship, Jinan University (暨南大學創業學院)	Professor, master tutor	October 2020		Yes
	School of Entrepreneurship, Jinan University (暨南大學創業學院)	Assistant to the dean	January 2012	October 2020	Yes
	Internet Innovation Institute (互聯網創新研究中心)	Director	January 2012		No
	Guangdong Electronic Commerce Association (廣東省電子商務協會)	Member of the Expert Committee	December 2012		No
	Guangdong Mobile Economy Association (廣東省移動經濟協會)	Council member	December 2012		No
	Guangzhou Internet Association (廣州互聯網協會)	Deputy secretary-general	September 2013		No
	Guangzhou Electronic Commerce and Internet Economy Association (廣州市電子商務與網絡經濟學會)	Vice chairman	September 2013		No
	HK-GZ Innovation and Technology Association	Vice chairman	January 2017		No
	Experimental Education Center of Economics and Management (National) of Jinan University (暨南大學經濟管理 (國家級) 實驗教學示範中心)	Deputy Director	March 2020		No

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

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

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Zhou Peng	Beijing Normal University Zhuhai Campus (北京師範大學珠海分校)	Visiting professor	September 2015	October 2019	No
	Red Cross Society of Zhuhai (珠海市紅十字會)	Vice president	December 2013		No
	Zhuhai Medical Association (珠海市藥學會)	Vice president	March 2016		No
	Zhuhai Jinwan District Standing Committee of the National People's Congress (珠海市金灣區人大常委會)	Member	November 2016		No
	Zhuhai Jinwan District Industry Development Association (珠海市金灣區產業發展協會)	Chairman	September 2018	June 2020	No
	First Session of the Board of Directors of Zhuhai Technology Development Promotion Board (珠海市科技發展促進會第一屆理事會)	Vice chairman	June 2020		No
Note to the Position held in other entities	Not applicable				

8. Punishment of Current and Resigned Directors, Supervisors and Senior Management during the Year from Securities Regulatory Institution in Recent Three Years

Applicable Not applicable

XIV. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Procedures for Determining the Remuneration of Directors, Supervisors and Senior Management

The remuneration of Directors and Supervisors of the Company must be considered and approved by the general meetings of the Company. As for the remunerations of senior management, the Remuneration and Assessment Committee of the Board 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 authorization of the Board and the approval of the chairman, the Company may pay additional special rewards based on the growth of the annual operating results of the Company.

Information on the remuneration of each Director, Supervisor and senior management and the top five highest paid individuals is set out in "Note X. 5. Related Transactions" of the financial 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 First Phase Ownership Scheme of the Company's Medium to Long-term Business Partner Share Ownership Scheme was considered and approved at the 2021 second extraordinary general meeting held on 6 May 2021. In addition, in order to establish an innovative long-term incentive stock ownership mechanism for senior management and core technical teams for the purpose of further motivating the senior management, facilitating the long-run and sustainable development of the Company and realizing the alignment of interests among shareholders, a total of 2,348,960 shares of the Company were purchased by means of centralized bidding transactions on 26 May 2021 with transaction amount of RMB117,268,338.21.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XIV. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

4. Remuneration of Directors, Supervisors and Senior Management of the Company during the Year

Unit: RMB0'000

Name	Position	Gender	Age	Status	Total Remuneration before tax from the Company	Receive remuneration from any related party of the Company
Zhu Baoguo	Chairman, Non-executive Director	Male	59	Current	325.00	Yes
Tao Desheng	Vice Chairman, Non-executive Director	Male	57	Current	300.00	Yes
Xu Guoxiang	Vice Chairman, Executive Director, Vice President	Male	59	Current	805.00	No
Tang Yanggang	Executive Director, President	Male	52	Current	470.34	No
Qiu Qingfeng	Non-executive Director	Male	50	Current	9.60	Yes
Yu Xiong	Non-executive Director	Male	61	Current	9.60	Yes
Bai Hua	Independent Non-executive Director	Male	52	Current	12.00	No
Zheng Zhihua	Independent Non-executive Director	Male	51	Resigned	7.00	No
Xie Yun	Independent Non-executive Director	Male	51	Resigned	7.00	No
Tian Qiusheng	Independent Non-executive Director	Male	66	Current	12.00	No
Wong Kam Wa	Independent Non-executive Director	Male	50	Current	12.00	No
Luo Huiyuan	Independent Non-executive Director	Male	55	Current	5.00	No
Cui Lijie	Independent Non-executive Director	Female	46	Current	5.00	No
Wang Maolin	Chief Supervisor	Male	56	Current	158.94	No
Huang Huamin	Supervisor	Male	50	Current	4.80	No
Tang Yin	Supervisor	Male	47	Current	4.80	No
Yang Daihong	Vice President	Male	55	Current	288.60	No
Si Yanxia	Vice President	Female	53	Current	269.32	No
Zhou Peng	Vice President	Male	58	Current	197.06	No
Huang Yuxuan	Vice President	Female	55	Current	334.38	No
Xu Peng	Vice President	Male	65	Current	331.45	No
Yang Liang	Vice President, Secretary to the Board, Company Secretary	Male	38	Current	205.52	Yes
Total	–	–	–	–	3,774.41	–

Note: Mr. Zheng Zhihua and Mr. Xie Yun retired as independent non-executive Directors of the Company due to the expiration of their respective 6-year term of office as Directors, both effect from 29 July 2021. On 29 July 2021, Mr. Luo Huiyuan and Ms. Cui Lijie were appointed as independent non-executive Directors of the Company.

XV. EMPLOYEES OF THE COMPANY

As at the End of the Year, the Company and its wholly-owned subsidiaries and controlling subsidiaries had a total of 8,580 existing employees (31 December 2020: 8,367).

1. Number, Speciality Composition and Education Level of Employees

Number of existing employees of the parent company	1,993
Number of existing employees of principal subsidiaries	6,587
Total number of existing employees	8,580
Total number of employees receiving remuneration during the Year	8,580
Total number of retired employees to whom the parent company and its principal subsidiaries should pay pension	665

Speciality composition

Type of speciality composition	Staff number of speciality composition (persons)
Production staff	5,002
Sales staff	1,802
Technical staff	1,149
Financial staff	172
Administrative staff	455
Total	8,580

Education level

Type of education level	Number (persons)
Below post-secondary	3,246
Post-secondary	2,393
Undergraduate	2,452
Postgraduate	442
Doctor	47
Total	8,580

XV. EMPLOYEES OF THE COMPANY *(continued)***2. Employees' Remuneration Policies**

The Group mainly determined the remuneration of its employees according to the laws and regulations of the People's Republic of China and the Company's economic performance with reference to the general remuneration level in the society. During the Year, the Company's remuneration policies were in line with the provisions of relevant national laws and regulations, and the Company determined the remuneration of its employees after referring to the remuneration level in the industry and the region, 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 2021, the Company completed the exercise work in relation to the third exercise period of the first grant and the second exercise period of the reserved grant under the 2018 Share Options Incentive Scheme. The First Phase Ownership Scheme of the Company's Medium to Long-term Business Partner Share Ownership Scheme was considered and approved at the 2021 second extraordinary general meeting held on 6 May 2021, and a total of 2,348,960 shares of the Company were purchased by means of centralized bidding transactions on 26 May 2021 with transaction amount of RMB117,268,338.21. Please refer to "XXI. Share Options Incentive Schemes" and "XXII. Medium to Long-term Business Partner Share Ownership Scheme" in Section III of this Report 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 RMB1,382.17 million (31 December 2020: RMB1,051.79 million).

3. Pension Scheme

During the Year, there was no change in the Group's employee remuneration policy. The employees of the Group participated in the social basic pension insurance scheme organized and implemented by the local labor and social security departments. Upon retirement of the employees, the local labor and social security departments are obligated to pay social basic pension to the retired employees. According to the requirements under relevant laws and regulations of China and regulations of the local governments, the Group is required to contribute to the social basic pension insurance scheme at a certain rate of the employees' salaries to fund the employee retirement benefits. The sole obligation of the Group with respect to the social basic pension insurance scheme is to make the required contributions under the scheme. There was no change in the details of the retirement benefits.

XV. EMPLOYEES OF THE COMPANY *(continued)*

4. Employees' Training Plan

During the Year, the Company comprehensively strengthened its management in talent development and training. In talent development, we mainly conducted interviews with our employees to effectively understand their needs and coordinated the improvement of relevant issues reasonably; identified and discovered outstanding talents within the Company, and promptly provided promotion opportunities to realize their potential for development together with the Company. In respect of training, activities were carried out in various forms such as online courses, offline workshops and team building activities. During the Year, to enhance the activity of employees, we organized new employees to participate in team building activities, building a platform for them to fully understand and know each other and enabling them to experience the corporate culture of "happy life and happy work." For the first time, the Company organized all employees to participate in an engagement survey to understand their working attitude, with a completion rate of as high as 92%. For cultivation of outstanding young talents, we organized offline leadership courses such as project management, innovative practice, strategic planning and execution, role positioning of managers and enhancement of skills according to the needs of talents, and provided more than 3,000 online courses for talents, fully reflecting the importance placed by the Company on young talents. Meanwhile, activities such as talent show, badminton tournament and basketball competition were added to the induction training for fresh graduates during the Year; branches of the business school organized diversified activities, such as Qinglan Class and training camp for management trainees; the Company also provided on-the-job further studies for employees to obtain master (or doctoral) degree, continuing education for professional and technical personnel, application of professional titles and organizing the participation in training classes of various universities in a unified manner.

In 2021, the Company compiled statistical data on training according to the disclosure requirements of the Environmental, Social and Governance Report to ensure the accuracy and scientific quality of the data provided. To improve the training contents and coverage requirements of listed companies, the Company compiled and issued anti-corruption documents, organized trainings for information security and confidentiality and released videos, reviewed the list of suppliers and formulated an annual plan for quality training in 2021. From the perspective of corporate development, comprehensive improvements were made to the training system and contents to provide employees with a comprehensive, complete and compliant learning platform, so as to enhance the professionalism and capabilities of the Company's employees, and build an excellent team able to fight and win enduring battles for Livzon.

5. Labor Outsourcing

Applicable Not applicable

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

Applicable Not applicable

For details on the implementation of equity incentive scheme, employee share ownership scheme or other employee incentives of the Company, please refer to "XXI. Share Options Incentive Schemes" and "XXII. Medium to Long-term Business Partner Share Ownership Scheme" in Section III of this Report.

Share options incentive received by Directors and senior management of the Company

Applicable Not applicable

Unit: 0'000 shares

Name	Position	Number of 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 new restricted shares granted during the Reporting Period	Number of unlocked shares 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	6.0840	-	36.16	40.21	-	-	-	-	-
Tao Desheng	Vice Chairman, Non-executive Director	15.2100	2.6050	36.16	40.21	-	-	-	-	-
Xu Guoxiang	Vice Chairman, Executive Director, Vice President	15.2100	7.6050	36.16	40.21	-	-	-	-	-
Yang Daihong	Vice President	12.1680	-	36.16	40.21	-	-	-	-	-
Si Yanxia	Vice President	12.1680	6.0840	36.16	40.21	-	-	-	-	-
Zhou Peng	Vice President	8.1120	4.0560	36.16	40.21	-	-	-	-	-
Huang Yuxuan	Vice President	7.0980	3.5490	36.16	40.21	-	-	-	-	-
Xu Peng	Vice President	6.0840	3.0420	36.16	40.21	-	-	-	-	-
Yang Liang	Vice President, Secretary to the Board, Company Secretary	3.5490	-	36.16	40.21	-	-	-	-	-
Total	-	85.6830	26.9410	--	--	-	-	-	-	-
Remark (if any)	N/A									

XVII. 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.

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

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

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)	13.00
Conversion shares for every 10 shares (shares)	0
Share capital basis for proposed distribution (shares)	931,439,022 ^{Note}
Total amount of cash dividends (RMB) (tax inclusive)	1,210,870,728.60
Amount of cash dividends distributed by other means (such as repurchase of shares) (RMB)	238,183,561.27
Total amount of cash dividends (including the amount distributed by other means) (RMB)	1,449,054,289.87
Distributable profit (RMB)	1,775,683,251.01
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 RMB13.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2021 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized. The profit distribution has complied with the requirement of "If the Company is at the mature stage of development and has no significant capital expenditure plan, the proportion of cash dividends shall be at least 80% in the profit distribution" under the Articles of Association.

Particulars of Proposal on Profit Distribution or Conversion of Capital Reserves

Nil

Note: The proposed distribution is calculated based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the trading day prior to disclosure of the Report.

XVIII. ESTABLISHMENT AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

1. Establishment and implementation of internal control

For details on the establishment and implementation of internal control of the Company, please refer to “XI. Risk Management and Internal Control” in Section IV of this Report.

2. The material weakness discovered in internal control during the Reporting Period

Yes No

XIX. MANAGEMENT AND CONTROL OF SUBSIDIARIES BY THE COMPANY DURING THE REPORTING PERIOD

Applicable Not applicable

XX. SELF-EVALUATION REPORT ON INTERNAL CONTROL AND AUDIT REPORT ON INTERNAL CONTROL

1. Self-Evaluation Report on Internal Control

During the Year, the Board had conducted a review of effectiveness and adequacy of the risk management and internal control of the Group for the year ended 31 December 2021, 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	29 March 2022
The index of the text of Evaluation Report on Internal Control	Please refer to the 2021 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	99.93%
The proportion of the operation income of the units within the scope of evaluation in the operation income of the Company's combined financial statements	100%

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XX. SELF-EVALUATION REPORT ON INTERNAL CONTROL AND AUDIT REPORT ON INTERNAL CONTROL *(continued)*

1. Self-Evaluation Report on Internal Control *(continued)*

Weakness identification standards		
Type	Financial statement	Non-financial statement
Qualitative standard	<ol style="list-style-type: none"> 1. Weaknesses with the following characters shall be identified as material weaknesses: <ol style="list-style-type: none"> 1) ineffective control environment; 2) the management of the Company has fraud of any degree; 3) the material misstatements found by external auditor was not first found by the Company; 4) the weaknesses relating to the total amount of the affected related transactions exceeds the quota of related transactions approved by the shareholders; 2. 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. 3. General weaknesses: other control weaknesses that do not constitute material or important weaknesses. 	<ol style="list-style-type: none"> 1. Weaknesses with the following characters shall be identified as material weaknesses: <ol style="list-style-type: none"> 1) severe violation against laws and regulations; 2) the material weaknesses on internal control already found and reported to the management has not been rectified after a reasonable period of time; 3) other than policy-related losses, the Company's continuing operation is subject to challenges with losses in successive years; 4) failure in merger and acquisition and reorganization, or the newly expanded subsidiaries are difficult to sustain the operation; 5) resignation of the management of the Company or severe loss of staff on key positions, repeated negative news coverage by the media. 2. 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. 3. General weaknesses: other control weaknesses that do not constitute material or important weaknesses.
Quantitative standard	<ol style="list-style-type: none"> 1. General weaknesses: combined misstatements < 3% of the profit before tax in the combined statements; 2. Important weaknesses: 3% of the profit before tax in the combined statements ≤ combined misstatements < 5% of the profit before tax in the combined statements; 3. Material weaknesses: combined misstatements ≥ 5% of the profit before tax in the combined statements 	<ol style="list-style-type: none"> 1. General weaknesses: direct loss amount ≤ 3% of the total assets in the combined statements; 2. Important weaknesses: 3% of the total assets in the combined statements < direct loss amount ≤ 5% of the total assets in the combined statements; 3. Material weaknesses: direct loss amount > 5% of the total assets in the combined statements
Number of material weaknesses in financial statement)	0	
Number of material weaknesses in non-financial statement	0	
Number of important weaknesses in financial statement	0	
Number of important weaknesses in non-financial statement	0	

XX. SELF-EVALUATION REPORT ON INTERNAL CONTROL AND AUDIT REPORT ON INTERNAL CONTROL *(continued)*

2. Audit Report on Internal Control

Applicable Not applicable

The paragraph of audit opinions in the Audit Report on Internal Control

Grant Thornton (Special General Partnership) issued the Audit Report on Internal Control (GTCSZ (2022) No. 442A004889) for the Company's internal control during the year of 2021, with the following audit opinion: on 31 December 2021, Livzon Pharmaceutical Group Inc. maintained effective financial statement internal control in all material aspects pursuant to "Basic Ordinance of Corporation Internal Control" and relevant provisions.

Disclosure of the Audit Report on Internal Control	Disclosed
The disclosure date of the text of the Audit Report on Internal Control	29 March 2022
The index of the text of the Audit Report on Internal Control	Please refer to the Audit Report on Internal Control disclosed on Cninfo
Type of opinions in the Audit Report on Internal Control	Standard unqualified opinion
Whether material weaknesses existed in the non-financial statements	No

Whether the accounting firm issued a non-standard audit report on internal control

Yes No

Whether the Audit Report on Internal Control issued by the accounting firm is in line with the self-evaluation report of the Board

Yes No

XXI. SELF-INSPECTION OF ISSUES AND CORRECTION UNDER SPECIAL ACTIONS FOR THE GOVERNANCE OF LISTED COMPANIES

Applicable Not applicable

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES

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

✓ Yes No

During the Reporting Period, there were 9 subsidiaries of the Company being identified as key pollutant discharging units announced by the Environmental Protection Department, with details as follows:

(1) Fuzhou Fuxing

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Fuzhou Fuxing	Chemical oxygen demand (COD)	Intermittent	1	The northwest side of the factory	19.43	100	19.41	124.5	Nil
	Ammonia nitrogen				0.273	15	0.27	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.

Construction and operation of pollution prevention & treatment facilities:

The company strictly complies with the “Three-Simultaneous” system of environmental protection by collecting and treating “Three Wastes (waste water, exhaust gas and solid waste)” according to requirements, and employs an advanced sewage treatment process known as “Regulating pool + Hydrolysis acidification tank + sequencing batch reactor activated sludge process (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. Two sets of waste gas treatment devices of the quality control laboratory have been newly constructed in 2021, in which the waste gas was treated through water spray and activated carbon adsorption method and emitted after meeting the emission standards. For details on circumstances in previous years, please refer to the relevant content of the 2020 annual report of the Company.

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

The “Environmental Impact Report on the Phase III High-end Antibiotics Project of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd.” was approved on 23 August 2021. The company strictly implements the “Three Simultaneous” system and takes environmental protection measures required for environmental assessment, with the environmental protection facilities under normal operation. Approval was granted for the application of a new national pollutant discharge license on 27 December 2017 and the renewal of the national pollutant discharge license was completed in December 2020. The company has been discharging pollutants in strict compliance with the licensing and administrative requirements. For details on circumstances in previous years, please refer to the relevant content of the 2020 annual report of the Company.

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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

(1) Fuzhou Fuxing *(continued)*

Environmental Emergency Contingency Plan:

Pursuant to relevant regulations and requirements, the “Environmental Emergency Contingency Plan of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (《麗珠集團福州福興醫藥有限公司突發環境事件應急預案》)” was prepared based on the principles of “Focusing on Prevention, Aiming at Self-help, Centralized Command, Division of Responsibility”, which was approved on 1 November 2019 (File No.: 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. In June 2021, the regenerative thermal oxidizer (RTO) power failure emergency drill was conducted.

Environmental Self-monitoring Program:

According to the relevant requirements of the “Measures for Self-Monitoring and Information Disclosure by Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation) (《國家重點監控企業自行監測及信息公開辦法(試行)》)” and the “Technical Guidelines for Self-Monitoring by Pollution Discharge Enterprises in the Fermentation Pharmaceutical Industry (HJ882-2017) (《排污單位自行監測技術指南發酵類製藥工業(HJ882-2017)》)”, the company has completed the establishment of the self-monitoring program based on its own situation in a timely manner and made the program available to the public after being examined by and filed with Fuqing Environment Protection Bureau and Fuzhou Environment Protection Bureau. The analysis methods of the monitoring program comply with the national environmental monitoring technical standards and methods; the monitoring and analysis instruments have been examined and calibrated in strict compliance with the relevant national requirements; the automated monitoring equipment has been installed in accordance with the requirement of environmental assessment technical standards, which are connected to relevant environmental protection authorities and have passed the inspection and acceptance of the relevant environmental protection authorities. The automated monitoring equipment has been functioning properly and the monitoring information is accurate, valid and authentic. In 2021, the work on leakage detection and repair (LDAR) of volatile organic compounds (VOCs) was done on two occasions. The soil and groundwater testing was completed in July 2021. Information publicity website: <http://wryfb.fjemc.org.cn>

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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

(2) Xinbeijiang 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	86.4	240	70.62	Nil	Nil
	Ammonia nitrogen				6.8	70	5.61	Nil	Nil

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

Construction and Operation of Pollution Preventive Facilities:

The “Three Wastes” were collected and treated effectively in strict compliance with the “Three Simultaneous” system. The sewage treatment facilities with an investment amount of over RMB30 million have a designed processing capacity of 3,000t/d and adopt the treatment process of “Pre-treatment + Aerobic pool + Hydrolysis acidification tank + SBR + Catalytic oxidation + Air float”. In 2021, an aggregate amount of over RMB6 million was invested to the treatment and improvement projects of sewage, waste gas, noise and solid waste storage sites in the factory, including more than 40 environmental protection improvement projects, such as the power cooling tower noise reduction project, the installation of the boiler inlet muffler, the enclosure of mechanical vapor recompression (MVR) fans, the renovation of sewage tank in workshop 1 of department III, the replacement of the aeration pipes of the biological filter of the sewage station, and the renovation of the pretreatment waste gas of the sewage treatment station, so as to reduce the impact of factory noise on the surrounding area through controlling from the source, while eliminating the smell emission of workshops, sewage and solid waste storage sites to ensure the stable operation of sewage treatment system.

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

The “Environmental Impact Report on Current Status of Projects of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (《麗珠集團新北江製藥股份有限公司項目現狀環境影響報告書》)” was approved and filed on 6 December 2016; with strict enforcement of the “Three Simultaneous” system and implementation of the environmental protection measures required under the environmental impact assessment, the environmental protection facilities have been functioning properly. On 29 December 2017, approval was granted for the application of a new national pollutant discharge license and the work for changing and renewing the pollutant discharge license was completed in December 2020. The environment protection policies were strictly enforced.

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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

(2) Xinbeijiang Pharmaceutical *(continued)*

Environmental Emergency Contingency Plan:

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

Environmental Self-monitoring Program:

According to the relevant requirements of the “Measures for Self-Monitoring and Information Disclosure by Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation) (《國家重點監控企業自行監測及信息公開辦法(試行)》)”, the company has completed the establishment of the self-monitoring program based on its own situation in a timely manner and made the program available to the public after being examined by and filed with Qingyuan Environment Protection Bureau. The analysis methods of the monitoring program comply with the national environmental monitoring technical standards and methods; the monitoring and analysis instruments have been examined and calibrated in strict compliance with the relevant national requirements. The automated monitoring equipment for waste water (COD, ammonia nitrogen, pH, flow) and waste gases (non-methane hydrocarbons) has been installed in accordance with the requirement of environmental assessment technical standards, and the connection between online information and national development platform and Qingyuan municipal platform has been completed. Online monitoring equipment for waste water has passed the inspection and acceptance of relevant environmental protection authorities. The automated monitoring equipment has been functioning properly and the monitoring information is accurate, valid and authentic. In accordance with the requirements of the specification, a third party is hired to conduct LDAR every six months for workshops that use VOCs. On 28 September 2021, the total organic carbon (TOC) testing for the import and export of cooling towers was completed.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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

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

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)/(mg/m ³)	Pollutant discharge standards implemented (mg/L)/(mg/m ³)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	88.505	192	18.258	/	Nil
	Ammonia nitrogen (NH ₃ -N)				8.757	40	1.478	/	Nil
	Sulphur dioxide	Organized continuous emission	3	Boiler room	5.67	50	0.1427	/	Nil
	Nitrogen oxide		3	Boiler room	57.0625	150	1.5497	/	Nil
	Particulate matter		3	Boiler room	1.36	20	0.0361	/	Nil
	Hydrogen chloride		7	Workshop	1.41	100	0.4635	/	Nil
	Non-methane hydrocarbons		7	Workshop	15.93	60	7.5421	77.76	Nil
	Non-methane hydrocarbons		1	RTO	8.56	60	1.5622		Nil
	Nitrogen oxide		1	RTO	50	200	8.3813	/	Nil
Sulphur dioxide		1	RTO	3	200	0.8233	/	Nil	

Notes: 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 wastewater treatment station emission complied with the Air Pollutant Discharge Standards for Pharmaceutical Industry (《製藥工業大氣污染物排放標準》) (GB 37823-2019).

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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

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

Construction and Operation of Pollution Preventive Facilities:

The “Three Wastes” were treated in a centralized and effective manner in strict compliance with the “Three Simultaneous” system and the maintenance and management of pollution preventive facilities were enhanced to ensure that 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 bed (UASB) + advanced oxidation + Cyclic Activated Sludge System (CASS) process + air floatation/ozonation advanced treatment” was adopted. Treated sewage was discharged through the municipal sewage pipeline network into Zhuhai Leaguer Environmental Protection Co., Ltd. (珠海力合環保有限公司) (water purification plant in the South District). In 2021, RMB4.88 million has been invested in environmental protection projects; RMB2.34 million has been invested in the collection and pretreatment of high-concentration exhaust gas from various workshops; RMB0.8 million has been invested in increase washing to eliminate odors from RTO-treated waste gas; Valves; RMB0.63 million has been invested in RTO maintenance, including valves, ceramics and internal anti-corrosion replacement and upgrade, etc.; RMB0.65 million has been invested to purchase liquid nitrogen cryogenic device for treatment of chloroform waste gas in Workshop 102; RMB0.26 million has been invested to collect and treat laboratory and R&D waste gas; and RMB0.20 million has been invested for maintenance of granular activated carbon adsorption and desorption attached device. For details on circumstances in previous years, please refer to the relevant content of the 2020 annual report of the Company.

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

The Environmental Impact Assessment Report on Current Status of the Product Structure and Production Capacity Adjustment Project of Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《珠海保稅區麗珠合成製藥有限公司產品結構及產能調整項目現狀環境影響評價報告》) was approved in December 2016. In 2021, the environmental impact assessment of 14 new products including paliperidone palmitate (棕櫚酸帕利哌酮), aripiprazole (阿立哌唑), bismuth potassium citrate (枸橼酸鉍鉀), i.e. the “Environmental Impact Assessment Report on Technological Renovation and Expansion Project of Livzon Synthetic Pharmaceutical Co., Ltd. in Zhuhai Free Trade Zone” (《珠海保稅區麗珠合成製藥有限公司技改擴建項目環境影響評價報告》), passed the expert review, with approval being processed. 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. Change of pollutant discharge license was completed in December 2019. The integrated treatment on VOCs passed the “one policy for one enterprise” inspection and acceptance in November 2020. On 21 December 2021, a new round of voluntary clean production was inspected and approved. On 30 December 2021, the inspection and acceptance of VOCs in-depth management manual was completed. In 2021, it was awarded the green card enterprise of environmental credit rating by Zhuhai Municipal Ecology and Environment Bureau.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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

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

Environmental Emergency Contingency Plan:

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

Environmental Self-monitoring Program:

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

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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

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

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Chemical oxygen demand	Continuous	1	Southeastern part of the factory zone	50.66	120	13.463	108	Nil
	Ammonia nitrogen				11.884	35	3.162	31.5	Nil

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

Construction and Operation of Pollution Preventive Facilities:

At the same time when the enterprise started production, the "Three Wastes" were collected and treated effectively in accordance with the requirements of the "Three Simultaneous" system of environmental protection. This involves a designed sewage treatment capacity of 1,200 t/d, adoption of the advanced "Anerobic-Oxic activated sludge process (A/O) + SBR + nitrogen removal by denitrification + 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 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 2021, RMB0.6 million was invested to upgrade the environmentally friendly sludge pressing system to reduce the moisture content of the sludge and the amount of sludge produced. For details on circumstances in previous years, please refer to the relevant content of the 2020 annual report of the Company.

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 the administrative requirements. The procedure for replacing the pollutant discharge license was completed in November 2020. In November 2021, the review for initial emission right was passed, and the right will be valid for four years. In October 2021, the clean production audit report was completed and passed auditing by experts, audit opinion of the Ningde Environmental Science Institute was obtained, and the company is applying to the Gutian County Ecology and Environment Bureau for review acceptance.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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

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

Environmental Emergency Contingency Plan:

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

According to the plan, after environmental emergency incidents occur, immediate, quick, effective and orderly emergency rescue actions will be taken to control and prevent accidents and the spread of contamination, protect the surrounding environment effectively and ensure the personal life and property safety of all employees, the company and the nearby communities. In accordance with the contents and requirements of the plan, the company provides trainings and drills for its employees. On 9 September 2021, the company carried out an ammonia leakage emergency drill. The company is well-prepared for environmental emergency incidents, so that rescue actions could be taken in a timely manner and incidents could be controlled effectively in a short period of time in case of any environmental emergency incidents.

Environmental Self-monitoring Program:

According to the relevant requirements of the "Measures for Self-Monitoring and Information Disclosure by Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation) (《國家重點監控企業自行監測及信息公開辦法(試行)》)", the company has completed the establishment of the self-monitoring program based on its own situation in a timely manner and made the program available to the public after being examined by and filed with Ningde environment protection authority and Gutian County protection authority. The analysis methods of the monitoring program comply with the national environmental monitoring technical standards and methods; the monitoring and analysis instruments have been examined and calibrated in strict compliance with the relevant national requirements; the automated monitoring equipment has been installed in accordance with the requirements of environmental assessment technical standards, connected to the network of competent environmental protection authorities and passed the acceptance inspection conducted by the competent environmental protection authorities. The automated monitoring equipment was sound, and the monitoring information was accurate, valid and authentic. In 2021, a qualified third party was engaged on two occasions to complete the the leakage detection and repair (LDAR) work of volatile organic compounds and a report was obtained. Information publicity website: <http://wryfb.fjemc.org.cn>

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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

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

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 Ammonia nitrogen	Intermittent	1	Wastewater treatment station	16.75 0.516	110 15	4.988 0.152	Nil Nil	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. The technical transformation project of the R&D center has installed waste gas treatment facilities such as activated carbon adsorption and acid mist spray tower. In respect of control of noise pollution, 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 R&D Center of Livzon Group Limin Pharmaceutical Manufacturing Factory (《麗珠集團利民製藥廠研發中心技改項目環境影響報告表》) was approved on 6 December 2019. A review expert meeting was held on 24 April 2021, and independent review was completed. The Environmental Impact Report for Workshop II of Small-capacity Injection (《小容量注射劑二車間項目環境影響報告表》) was approved on 23 November 2020. On 15 September 2021, a review expert meeting was held, and independent review was completed. The National Sewage Permit was updated on 22 October 2021. The “Three Simultaneous” system was strictly enforced to implement the environmental protection measures required under the environmental impact assessment, with normal operation of the environmental protection facilities.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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

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

Environmental Emergency Contingency Plan:

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

Environmental Self-monitoring Program:

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

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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

(6) Pharmaceutical Factory

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Pharmaceutical Factory	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	12.83	120	2.27	Nil	Nil
	Ammonia nitrogen		1	Wastewater treatment station	0.369	20	0.06	Nil	Nil

Note: The discharge concentration of pollutants in the wastewater discharge outlet represents the average concentration detected by a qualified third party engaged, by implementing the strictest of Schedule 2 Water Pollutant Discharge Concentration Limits for Newly-Built Enterprises (表2新建企業水污染物排放濃度限值) of the Emission Standard for Pharmaceutical Industrial Water Pollutants from Mixing and Formulation Category (《混裝製劑類製藥工業水污染物排放標準》) (GB 21908-2008), Schedule 2 Water Pollutant Discharge Concentration Limits for Newly-Built Enterprises (表2新建企業水污染物排放濃度限值) of Discharge Standards for Biopharmaceutical Industrial Wastewater (《生物工程類製藥工業水污染物排放標準》) (GB 21907-2008), or the level 1 of phase II standard of Guangdong Provincial Capping on Polluted Effluents Discharge (《廣東省水污染物排放限值》) (DB44/26-2001).

Construction and Operation of Pollution Preventive Facilities:

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

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

The Environmental Impact Assessment Report on Expansion Project for Production Line of Recombinant Human Chorionic Gonadotropin for Injection of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠) was approved in March 2018; the Environmental Impact Assessment Report on Expansion Project for Sewage Treatment Stations of Livzon Group Livzon Pharmaceutical Factory was approved in April 2019; the Environmental Impact Assessment Report on Expansion Project for Production Line of Lyophilized Powder Injection of Livzon Group Livzon Pharmaceutical Factory was approved in November 2020. The company obtained a updated sewage permit in October 2021. The company will strictly enforce the “Three-simultaneous” system to implement the environmental protection measures as required by environmental assessment.

Environmental Emergency Contingency Plan:

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

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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

(6) Pharmaceutical Factory *(continued)*

Environmental Self-monitoring Program:

Inspection party with national qualification on inspection was engaged to conduct monitoring strictly in compliance with the relevant national laws and regulations and standards. By considering its own specific conditions, the company appointed the inspection party to carry out monitoring on sewage and waste gas every month, each time the monitoring would be conducted strictly in compliance with the relevant national requirements to ensure the accuracy, validity and authenticity of the monitoring data. The installation and commissioning of the online sewage monitoring equipment was completed and it was put into use at the beginning of 2021.

(7) Ningxia 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)/(mg/m ³)	Pollutant discharge standards implemented (mg/L)/(mg/m ³)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Ningxia Pharmaceutical	Chemical oxygen demand	Continuous	1	Sewage treatment workshop on north side of factory zone	105	200	111.59	Nil	Nil
	Ammonia nitrogen				0.8	25	0.82	Nil	Nil
	Sulphur dioxide				47	200	24.79	156.816	Nil
	Nitrogen oxide				102	200	87.76	156.816	Nil
	Particulate matter				14	30	8.2	23.522	Nil
	Volatile organic compounds				8.5	100	22	79.535	Nil
					4 outlets for fermentation, 3 outlets for refinery and 2 outlets for sewage				

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

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

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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

(7) Ningxia 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 in the pollutant discharge license, it would be discharged through the sewage pipeline network in the industrial park to Xin'an Company. In 2021, the installation and use of exhaust gas collection and treatment facilities for hazardous waste stations were completed, and doramectin fermentation exhaust gas of fermentation workshop 101 was introduced into the specific exhaust gas treatment facility for doramectin fermentation exhaust gas of fermentation workshop 102, and a primary sedimentation tank was added to the sewage treatment station to lead out exhaust gas for treatment. For details on circumstances in previous years, please refer to the relevant content of the 2020 annual report of the Company.

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

The environmental protection inspection for completion of doramectin expansion project was completed in March 2021. In September 2021, expert review and government filing were completed for the environmental impact evaluation of project work upon optimized disposal of the company's solid waste. The company applied to change its pollutant discharge permit and passed the review of the Pingluo Branch of Shizuishan Municipal Ecology and Environment Bureau in December 2021. The company strictly enforced the "Three Simultaneous" system to implement the environmental protection measures as required by environmental assessment, and the environmental protection facilities were in normal operation. For details on circumstances in previous years, please refer to the relevant content of the 2020 annual report of the Company.

Environmental Emergency Contingency Plan:

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

Environmental Self-monitoring Program:

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

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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

(8) Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作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
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	Chemical oxygen demand	Continuous	1	Master outlet in industrial wastewater workshop	109.049	220	9.396	60.8	Nil
	Ammonia nitrogen				3.911	35	0.337	8.8	Nil

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

Construction and Operation of Pollution Preventive Facilities:

The "Three Wastes" were collected and treated effectively in strict compliance with the "Three Simultaneous" system. The designed sewage treatment capacity was 3,000t/d, the treatment process of "hydrolytic acidification tank + UASB + aerobic pool + materialized treatment" was adopted, the treated wastewater would be discharged through the municipal pipeline network into the sewage treatment plant of Xiuwu Branch of Kangda Water Co., Ltd. (康達水務有限公司修武分公司). The sewage treatment facilities were under normal operation with compliant discharge. For exhaust gas: in 2021, the three-stage sewage spraying was replaced, and a set of waste gas treatment facilities was added in the UV photolysis sewage station. Waste gas would be discharged after standard was met. 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. Solid waste and hazardous wastes would be stored in the hazardous waste station constructed in compliance with the requirements of "Three Protections" (protection against leaks, erosion and rain) according to the requirements under the (Pilot) Guidelines for Standardized Management of Hazardous Waste in Henan Province (《河南省危險廢物規範化管理工作指南(試行)》) for hazardous wastes. In April 2021, 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 solid wastes would be disposed of in compliance with the relevant requirements.

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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

(8) Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司) *(continued)*

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

The Environmental Impact Assessment Report on Current Status of Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《焦作麗珠合成製藥有限公司現狀環境影響評估報告》) was approved and filed on 15 December 2016, the "Three Simultaneous" system was strictly enforced, the environmental protection measures as required by environmental assessment were implemented and the environmental protection facilities were in normal operation. The application for the national pollutant discharge license was completed in December 2020, the environmental protection policies were strictly enforced and various management measures were implemented. In 2021, Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. prepared the implementation plan of "one factory, one policy" for emergency emission reduction in response to heavy pollution weather from 2021 to 2022.

Environmental Emergency Contingency Plan:

The Environmental Emergency Contingency Plan of Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《焦作麗珠合成製藥有限公司突發環境事件應急預案》) was prepared in accordance with the relevant provisions and requirements and based on the principles of "Focusing on Prevention, On-alert all the time; Management by Classification, Response by Tiers, Cooperation among Departments, Responsibility by Levels; Scientific Prevention and Efficient Disposal". The contingency plan was approved for announcement and filing in April 2021 (File No.: 4108042018005L). The Hazardous Waste Environmental Pollution Emergency Contingency Plan of Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《焦作麗珠合成製藥有限公司危險廢物環境污染事故應急預案》) was compiled and was approved for filing in January 2018. Identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on regular basis to improve the operability of the contingency plan, enhance the performance level of the emergency rescue staff, and enhance the responsiveness and coordination of the rescue team in terms of integrated coordination and collaboration capabilities. The company carried out trainings on the Standard Operating Procedure for Acid Mist Purification Towers and the Standard Operating Procedure for Hazardous Waste Storage Pollutants in April 2021 and June 2021, respectively, according to the relevant requirements of the Hazardous Waste Environmental Pollution Emergency Contingency Plan of Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《焦作麗珠合成製藥有限公司危險廢物環境污染事故應急預案》). In November 2021, the Operation Regulations for Exhaust Gas UV Photolysis Equipment and the Spray Towers Operation Regulations were added, and training was carried out on the operation regulations for exhaust gas UV photolysis equipment and spray tower operation regulations to enhance the environmental protection knowledge of staff.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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

(8) Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司) *(continued)*

Environmental Self-monitoring Program:

According to the relevant requirements of the Measures for Self-Monitoring and Information Disclosure by the Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation) (《國家重點監控企業自行監測及信息公開辦法(試行)》), the company implemented and completed the self-monitoring program based on its own situation in a timely manner and made the program available to the public after being examined by and filed with relevant competent environmental protection authorities. The analysis methods of the monitoring program comply with the national environmental monitoring technical standards and methods; the monitoring and analysis instruments have been examined and calibrated in strict compliance with the relevant national requirements; the 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 Internet Private Line Access Clustering Protocol was entered into in November 2021. The leakage detection and repair (LDAR) of volatile organic compounds was completed according to plan in 2021. The automated monitoring equipment was under normal operation and the data was accurate, valid and authentic.

(9) Shanghai Livzon

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)/(mg/m ³)	Pollutant discharge standards implemented (mg/L)/(mg/m ³)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Shanghai Livzon	Chemical oxygen demand	Intermittent	1	Master outlet in the park	50.25	500	2.97	Nil	Nil
	Ammonia nitrogen				27.98	40	1.77	Nil	Nil
	Particulate matter	Organized intermittent discharge	2	No. 5 and 6 outlet on the roof	5	20	0.015	0.054	Nil
	Volatile organic compounds		8	No.1, 2, 3, 4, 7, 8, 9 and 10 outlets on the roof	1.98	60	0.277	2.145	Nil

Note: The discharge concentration was the average of monthly third-party monitoring data, and the amount of discharge was the cumulative sum of monthly discharge. The discharge of VOCs and particulate were in accordance with the Air Pollutant Discharge Standards for Pharmaceutical Industry (《製藥工業大氣污染物排放標準》) (GB37823-2019), and the discharge of COD and Ammonia nitrogen were implemented in accordance with the comprehensive sewage discharge standard DB31/199-2018. Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司) was among other key pollutant discharge units, but not among the key pollutant discharge units of water environment and atmospheric environment.

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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

(9) Shanghai Livzon *(continued)*

Construction and Operation of Pollution Preventive Facilities:

The company designed and built a sewage treatment station with a processing capacity of 200 m³/d in 2018. The company's sewage was treated by such sewage treatment station and then entered the park's sewage treatment station for secondary treatment, and finally discharged into the municipal pipeline network. The company had the hazardous waste station in compliance with the requirements of "Three Preventions" to store hazardous waste and appointed a qualified company for compliant disposal. The company's main exhaust outlets were treated with activated carbon adsorption and filtration, and the activated carbon was replaced every half a year to ensure that the exhaust gas emission met the standards.

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

The company passed the environmental assessment review of the Leuprorelin Acetate Microspheres for Injection Industrialization Project (《注射用醋酸亮丙瑞林微球產業化項目》) on 11 October 2010, obtained the approval for the Environmental Impact Report on Supporting Engineering and Laboratory Projects of Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (《上海麗珠製藥有限公司配套工程及實驗室項目環境影響報告》) on 10 January 2020, and completed the construction and passed the acceptance inspection in September 2020. The company strictly implements the "Three Simultaneous" system and take environmental protection measures required for environmental assessment, with the environmental protection facilities under normal operation. In July 2021, the change of national pollutant discharge license was completed.

Environmental Emergency Contingency Plan:

In January 2019, the Environmental Emergency Contingency Plan of Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (《上海麗珠製藥有限公司突發環境事件應急預案》) (File No.: 02-310115-2019-024-L) was filed by the company. The company conducts drills and reviews of the plan every year to improve its emergency response capabilities through regular training on the plan.

Environmental Self-monitoring Program:

In accordance with the General Rules for the Self-Monitoring Technical Guidelines for Pollutant Discharge Units (《排污單位自行監測技術指南總則》) (HJ 819-2017) and the relevant requirements (including those on pollution discharge license), the company organized self-monitoring and information disclosure of the pollutants it has discharged, and formulated the Self-monitoring Program. In 2021, the company monitors main exhaust gas outlets once a month, common discharge outlets once half a year, noise once every quarter and sewage once a month. The monitoring items and frequency shall meet the requirements of the pollutant discharge license.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. MAJOR ENVIRONMENTAL ISSUES *(continued)*

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

Whether a social responsibility report has been published

Yes No

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

Relevant information conducive to ecological protection, prevention and control of pollution and performance of environmental responsibilities, the measures taken and effects on reducing carbon emissions during the Reporting Period.

Applicable Not applicable

During the Year, the Company formulated the environmental management targets for 2021-2025 and carbon emission reduction targets of the Group, with an aim to reduce carbon emission intensity by 26% in 2025 compared with that in 2020 and striving to achieve carbon neutrality by 2055, so as to contribute to carbon neutrality in China and the world. Please refer to the 2021 Environmental, Social and Governance Report to be released by the Company for relevant information conducive to the Group's ecological protection, prevention and control of pollution, performance of environmental responsibilities, as well as the measures taken and effects on reducing its carbon emissions during the Reporting Period.

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

Applicable Not applicable

II. SOCIAL RESPONSIBILITY

During the Year, the Group actively assumed social responsibility, fulfilled the obligations of information disclosure and effectively protected the legitimate interests of the shareholders, creditors and all employees of the Group in strict accordance with the relevant provisions of laws and regulations such as the Company Law, 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 Guideline No.1 on Self-Discipline Supervision of Companies Listed on the Shenzhen Stock Exchange – Standardized Operation of Companies Listed on the Main Board of the Shenzhen Stock Exchange, the Group fulfilled the obligation of information disclosure, and disclosed the Group's periodic report and interim announcement realistically, accurately, completely, fairly and promptly with no selective disclosure, ensuring the right of all shareholders to be notified of important matters and operating performance of the Group. At the same time, in order to further strengthen the management of investor relations, the Group engaged in adequate communication with investors through multiple means including telephone, internet, reception of visits from investment research organizations.

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

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

2. Protection of workers' rights and interests

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

In order to further implement the protection of workers' rights and interests, the Group has formulated and improved remuneration system and welfare mechanism, including salary system and employee incentive mechanism. During the Year, the Company successfully completed the work related to the commencement of the second exercise period of the first grant and the first exercise period of the reserved grant under the 2018 Share Options Incentive Scheme. During the Year, in order to further establish and improve the Company's long-term incentive mechanism, attract and retain outstanding employees, fully motivate the Directors, senior management, mid-level management and relevant core personnel of the Company and effectively integrate Shareholders' interests, the Company's interests and individual interests of the core team members. The First Phase Ownership Scheme under the "Medium to Long-term Business Partner Share Ownership Scheme" of the Company has been considered and approved in the 2021 second extraordinary general meeting held on 6 May 2021.

SECTION V. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. SOCIAL RESPONSIBILITY *(continued)*

2. Protection of workers' rights and interests *(continued)*

During the Year, in order to enhance the cohesion and sense of belonging among staff members, the Group held a number of sports competitions and carried out a series of large-scale outdoor activities such as 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.

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.

III. CONSOLIDATE AND EXPAND THE ACHIEVEMENTS OF POVERTY ALLEVIATION AND RURAL REVITALIZATION

1. Industrial Revitalization

The Group fully implements the spirit of the important instructions put forward by the CPC Central Committee and the General Secretary. In accordance with the relevant requirements, we have established and implemented the plan of "Astragalus Root (黃芪) Industry Revitalization" and adopt the model of "Company + Base" and "Company + Professional Cooperative", encouraging locals to cultivate and process astragalus root and develop the astragalus root industry with reference to the local conditions to make it a pillar industry for poverty relief in the long-term. The Group will explore the development of the featured astragalus root industry to achieve poverty elimination and promote the construction of the "Chinese Medicine Ecological Base".

During the Reporting Period, Datong Livzon Qiyuan Medicine Co., Ltd. (大同麗珠芪源藥材有限公司), a subsidiary of the Company, has employed 95 local workers for the self-built base and jointly constructed base.

2. Access to Public Welfare for Chronic Diseases Prevention and Treatment

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

Since late 2018 onwards, with the support from local governments and the relevant competent authorities, the "Access to Public Welfare for Chronic Diseases Prevention and Treatment Program" was smoothly implemented successively 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 Province, Dongxiang County and Tianzhu County in Gansu Province, Xianghai national nature reserve in Jilin Province, Chayu County in Tibet Autonomous Region, Macun District of Jiaozuo City in Henan Province, Huangshan District of Huangshan City in Anhui Province, Suining County in Hunan Province and Fenyi County in Jiangxi Province. During the Reporting Period, the Company had donated treatment drugs for chronic diseases with a total value of a million yuan to patients in poverty and with difficulties in the aforementioned areas.

As at 31 December 2021, there were a total of 16 agreements in relation to the Public Welfare for Chronic Diseases Prevention and Treatment, among which 14 were remoted areas in need of help and 1 was natural reserve at state level, and there were more than 5,000 registered people. In 2022, it is expected to donate drugs to areas including Gansu and Sichuan.

I. 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	-	-	-	-	-	-
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: <ol style="list-style-type: none"> Subject to Articles 2 and 3 below, the Covenantors together with the companies and individuals controlled by them will not, at present or in the future, engage in businesses in any form which may, directly or indirectly, constitute competition or potential competition with the pharmaceutical research, development, production and sale businesses of Livzon Group from time to time (hereinafter referred to as the "Restricted Businesses"). Upon discovering any new business opportunities which constitute competition with the Restricted Businesses, the Covenantors together with the companies and individuals controlled by them shall immediately notify the Company in writing and offer such business opportunities to Livzon Group in first priority on reasonable and fair terms and conditions. If Livzon Group waives such business opportunities, the Covenantors together with the companies and individuals controlled by them may accept such business opportunities on terms and conditions no more favourable than those made available to Livzon Group. 	10 January 2014	Long-term	In the process of fulfillment

I. 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
			<p>3. As long as the Covenantors together with the companies and individuals controlled by them intend to transfer, dispose of, lease, license, or otherwise transfer or license such assets and businesses which may, directly or indirectly, constitute competition or potential competition with the Restricted Businesses (hereinafter referred to as the "Disposals and Transfers"), the Covenantors together with the companies and individuals controlled by them shall provide 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.</p> <p>4. The Covenantors together with the companies and individuals controlled by them will not engage in or take part in any business which may harm the interests of Livzon Group and other shareholders by utilizing their relationship with the shareholders of Livzon Group or their capacity as shareholders of Livzon Group.</p>			

I. 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
			<p>5. The Covenantors together with the companies and individuals controlled by them will not, directly or indirectly, a) at any time induce or attempt to induce any directors, senior management or consultants of any members of Livzon Group to cease to be employed by Livzon Group or cease to be employees or consultants of Livzon Group (as appropriate), irrespective of whether such persons' act would breach his employment contract or consultancy contract (as appropriate); or b) employ any person within three years after he/she ceases to be a director, senior management or consultant of any member of Livzon Group (other than those who serve as the directors, senior management or consultants of the Company and/ or its subsidiaries (excluding Livzon Group) on the date of issuing this letter of undertaking), as such person has or may have any confidential information or trade secrets relating to the Restricted Businesses; or c) alone or jointly with any other persons, through or as a manager, adviser, consultant, employee or agent or shareholder of any person, firm or company that competes with any member of Livzon Group, canvass, or solicit or accept orders from or do business with any persons with whom any member of Livzon Group has done business or solicit or persuade any person who has dealt with Livzon Group or is in the process of negotiating with Livzon Group in relation to the Restricted Businesses to cease to deal with Livzon Group or reduce the amount of business which the person would normally do with Livzon Group or seek more favorable trade terms from any member of Livzon Group.</p>			

I. 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
			<p>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.</p> <p>7. Commencing from the date of issuing the relevant letter of undertaking, the Covenantors undertake that they shall bear related legal responsibilities and consequences arising from the breach of any terms in the relevant letter of undertaking by the Covenantors (or their subsidiaries excluding Livzon Group, or their associate(s)).</p> <p>8. The above undertakings shall terminate upon occurrence of the following events (whichever is the earliest): a) the Covenantors and any of their 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)).</p>			

I. 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 made during the implementation of the non-public issuance of A Shares	Joincare and Mr. Zhu Baoguo	Other undertakings	The Covenanters 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 Xiaoqun, Zheng Zhihua, Xie Yun, Xu Guoxiang, Lu Wenqi, Si Yanxia and Yang Liang	Other undertakings	<ol style="list-style-type: none"> Undertake not to transfer benefits to other units or individuals at nil consideration or on unfair conditions, nor to damage the interests of the Company by other means. Undertake to impose restrictions on the spending of directors and senior management in performing their duties. Undertake not to apply any assets of the Company for investments and consumption activities that are irrelevant to the performance of their duties. Undertake that the remuneration system set up by the Board or the remuneration committee will be linked with the implementation of the remedial measures for returns of the Company. Undertake that, if the Company subsequently launches a share incentive scheme, the conditions for exercising the right in respect of the prospective share incentive scheme will be linked with the implementation of the remedial measures for returns of the Company. 	8 March 2016	Up to the completion date of the execution of the remedial measures of this non-public issuance	In the process of fulfillment

I. 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	<p>The Company will strictly comply with laws and regulations, such as the Company Law, the Securities Law and the Administrative Measures on the Issuance of Securities of Listed Companies, and the requirements of the CSRC. The Company also undertakes that, from the listing date of the new shares under the non-public issuance:</p> <ol style="list-style-type: none"> The Company shall publish periodic reports and disclose all information having material impact on investors in a true, accurate, complete, fair and timely manner, and be monitored and administered by the CSRC and the Shenzhen Stock Exchange; The Company shall make public clarification on a timely basis once noticing any news that may have misleading impact on the share price from mass media; The directors, supervisors and senior management of the Company shall take 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. <p>The Company guarantees that there is no false statement or any material omission in the documents submitted to the Shenzhen Stock Exchange, and shall not disclose relevant information without permission of the Shenzhen Stock Exchange during the period of listing application.</p>	19 September 2016	Long-term	In the process of fulfillment
Equity incentive undertakings	-	-	-	-	-	-
Other undertakings to minority Shareholders of the Company	Joicare	Undertaking for decrease in shareholding	<p>Joicare, the Company's controlling shareholder, has made undertakings during the elimination of selling restrictions of shares subject to selling restrictions. Details are as follows:</p> <ol style="list-style-type: none"> Joicare 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. If Joicare 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					

I. 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
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

II. MATERIAL LITIGATION AND ARBITRATION

Applicable Not applicable

During the Year, there was no material litigation and arbitration matters. As at the end of the Reporting Period, the total amount involved in other litigations of the Company that did not meet the disclosure standard of material litigation amounted to RMB13.4208 million.

III. QUESTIONING FROM MEDIA

Applicable Not applicable

IV. MATTERS RELATED TO BANKRUPTCY REORGANIZATION

Applicable Not applicable

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

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

Applicable Not applicable

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

VI. EXPLANATIONS GIVEN BY THE BOARD OF DIRECTORS, THE SUPERVISORY COMMITTEE AND INDEPENDENT DIRECTORS (IF ANY) ON THE ISSUANCE OF A “NON-STANDARD AUDIT REPORT” BY THE ACCOUNTING FIRM

Applicable Not applicable

During the Year, no explanations shall be given by the Board, Supervisory Committee and the independent Directors as a “Standard Unqualified Audit Report” was issued by the accounting firm.

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

Applicable Not applicable

VIII. 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 five controlling subsidiaries and decreased by four controlling subsidiaries, details of which are as follows:

The Company established Shanghai Liyu Biopharmaceutical Technology Co., Ltd. (上海麗予生物醫藥技術有限責任公司) on 30 March 2021 with a registered capital of RMB3 million, of which 55% was held by the Company;

Livzon Diagnostics established Zhuhai Liye Biotechnology Co., Ltd. (珠海市麗業生物技術有限公司) on 9 February 2021 with a registered capital of RMB50 million, of which 100% was held by Livzon Diagnostics;

On 20 July 2021, upon approval and registration by the Administration for Market Regulation of Hengqin New Area in Zhuhai (珠海橫琴新區市場監督管理局), Zhuhai Livzon Pharmaceuticals Import and Export Trading Co., Ltd. (珠海市麗珠醫藥進出口貿易有限公司) was established jointly by investment from the Company and Pharmaceutical Factory, a wholly-owned subsidiary, with a registered capital of RMB10 million;

On 24 August 2021, upon approval and registration by the Administration for Market Regulation of Hengqin New Area in Zhuhai (珠海橫琴新區市場監督管理局), Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司) was established jointly by investments from the Company, Sichuan Guangda (a wholly-owned subsidiary) and Livzon Group Limin Pharmaceutical Manufacturing Factory, with a registered capital of RMB30 million;

Livzon Diagnostics established Changsha Lijin Baokang Medical Technology Co., Ltd. (長沙麗瑾葆康醫療科技有限公司) on 13 August 2021 with a registered capital of RMB1 million, of which 100% was held by Livzon Diagnostics;

Livzon Diagnostics transferred the entire equity interest in Zhuhai Qiao Biotechnology Co., Ltd. (珠海啟奧生物技術有限公司) held by it to Mr. Deng Jing on 11 June 2021, and Livzon Diagnostics ceased to have control over it upon completion of the transfer;

Livzon International Limited and Livzon Biologics Limited completed deregistration on 31 December 2021.

With the approval of the Market Supervision and Administration Bureau of Jin’an District, Fuzhou City, Fuzhou Fuxing deregistered its subsidiary Fuzhou Fuxing Pharmaceutical Co., Ltd. (福州市福興製藥有限公司) on 25 May 2021.

IX. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Accounting firm (auditors) currently appointed and their remuneration

On 20 May 2021, after consideration and approval by the 2020 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 2021. As at the end of the Year, Grant Thornton (Special General Partnership) provided to the Group (i) non-annual audit services for the year 2021 at the remuneration of RMB415,000 (tax inclusive), which included review of half-yearly financial statements, capital verification report, etc., and (ii) annual audit services for the year 2021 at the remuneration of RMB2,150,000 (tax inclusive), which included remuneration for auditing the financial statements for the year 2021 and remuneration for internal control audit.

Name of domestic accounting firm	Grant Thornton (Special General Partnership)
Remuneration for domestic accounting firm	Remuneration for auditing the financial statements for the year 2021 was RMB1,790,000 (tax inclusive) and remuneration for internal control auditing was RMB360,000 (tax inclusive)
Continuous years of auditing services provided by domestic accounting firm	3 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	3 years, 5 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

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

Whether there was a change of accounting firm during the Year

Yes No

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

Yes No

Whether approval procedures concerning the change of accounting firm was completed

Yes No

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

Applicable Not applicable

During the Year, the Company appointed Grant Thornton (Special General Partnership) as the accounting firm responsible for internal control auditing of the Company with remuneration amounting to RMB360,000 (tax inclusive).

X. PUNISHMENT AND RECTIFICATION

Applicable Not applicable

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

XI. DELISTING AFTER DISCLOSURE OF ANNUAL REPORT

Applicable Not applicable

XII. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND DE FACTO 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.

XIII. SUBSTANTIAL RELATED TRANSACTIONS DISCLOSED PURSUANT TO THE SHENZHEN LISTING RULES**1. Related Transactions in the Ordinary Course of Business**

Applicable Not applicable

Related party	Related relationship	Type of related transaction	Details of related transaction	Pricing principle of related transaction	Amount of related transaction (RMB'000)	Percentage in the amount of similar transactions	Exceeded the approved amount	Settlement method of related transaction
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Raw materials	By negotiation based on market price	3,223.32	1.20%	No	Settlement through banks
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Raw materials	By negotiation based on market price	20,781.91	7.74%	No	Settlement through banks
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Purchase of goods	Finished products	By negotiation based on market price	43.90	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	Raw materials	By negotiation based on market price	1,148.14	0.43%	No	Settlement through banks
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Company in which a Director of the Company serves as a director	Purchase of goods	raw materials	By negotiation based on market price	278.61	0.10%	No	Settlement through banks
Zuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Company in which a Director of the Company serves as a director	Purchase of goods	Finished products	By negotiation based on market price	2.86	0.00%	No	Settlement through banks
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Subsidiaries of a company in which a Director of the Company serves as a director	Purchase of goods	Finished products	By negotiation based on market price	24.93	0.01%	No	Settlement through banks
Jiangsu Yijingjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	Company controlled by a Director of the Company	Purchase of goods	Finished products	By negotiation based on market price	39.34	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	Receipt of services	Water, electricity and power	By negotiation based on market price	2,164.25	7.16%	No	Settlement through banks

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

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

Related party	Related relationship	Type of related transaction	Details of related transaction	Pricing principle of related transaction	Amount of related transaction (RMB'000)	Percentage in the amount of similar transactions	Exceeded the approved amount	Settlement method of related transaction
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Subsidiary of the controlling shareholder	Receipt of services	R&D services	By negotiation based on market price	436.03	1.44%	No	Settlement through banks
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Modern services	By negotiation based on market price	3.09	0.01%	No	Settlement through banks
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Modern services	By negotiation based on market price	5.85	0.02%	No	Settlement through banks
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Modern services	By negotiation based on market price	2.48	0.01%	No	Settlement through banks
L&L Biopharma, Co., Ltd. (上海健信生物醫藥科技有限公司)	Company in which a member of senior management of the Company serves as a director	Receipt of services	R&D services	By negotiation based on market price	94.34	0.31%	No	Settlement through banks
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	Company controlled by a Director of the Company	Receipt of services	Business promotion	By negotiation based on market price	106.29	0.35%	No	Settlement through banks
Zhuhai Sanned Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company serves as a director	Receipt of services	Testing	By negotiation based on market price	1.44	0.00%	No	Settlement through banks
Zhuozhou Jingnan Yongle Golf Club Co., Ltd. (涿州京南永樂高爾夫俱樂部有限公司)	Company controlled by a Director of the Company	Receipt of services	Member services	By negotiation based on market price	8.40	0.03%	No	Settlement through banks
Jiangsu Yiyinjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	Company controlled by a Director of the Company	Receipt of services	Business promotion	By negotiation based on market price	1.50	0.00%	No	Settlement through banks
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Subsidiaries of a company in which a Director of the Company serves as a director	Receipt of services	Business promotion	By negotiation based on market price	63.86	0.21%	No	Settlement through banks
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Finished products	By negotiation based on market price	114.69	0.01%	No	Settlement through banks
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Finished products	By negotiation based on market price	146.56	0.01%	No	Settlement through banks
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Finished products	By negotiation based on market price	112.43	0.01%	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	Sale of goods	Finished products	By negotiation based on market price	4.04	0.00%	No	Settlement through banks
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Company in which a Director of the Company serves as a director	Sale of goods	Finished products	By negotiation based on market price	5,712.06	0.48%	No	Settlement through banks

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

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

Related party	Related relationship	Type of related transaction	Details of related transaction	Pricing principle of related transaction	Amount of related transaction (RMB'000)	Percentage in the amount of similar transactions	Exceeded the approved amount	Settlement method of related transaction
Zhu Hai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company serves as a director	Sale of goods	Finished products	By negotiation based on market price	9.30	0.00%	No	Settlement through banks
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Subsidiaries of a company in which a Director of the Company serves as a director	Sale of goods	Finished products	By negotiation based on market price	495.16	0.04%	No	Settlement through banks
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Provision of services	Processing, testing	By negotiation based on market price	24.78	2.75%	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	54.03	5.99%	No	Settlement through banks
Joincare (Guangdong) Food for Special Medicine Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Subsidiary of the controlling shareholder	Provision of services	Modern services	By negotiation based on market price	0.76	0.08%	No	Settlement through banks
Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Subsidiary of the controlling shareholder	Provision of services	Processing, testing	By negotiation based on market price	13.48	1.49%	No	Settlement through banks
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Company in which a Director of the Company serves as a director	Provision of services	Water, electricity and power	By negotiation based on market price	685.23	75.93%	No	Settlement through banks
Zhu Hai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Company in which a Director of the Company serves as a director	Provision of services	Water, electricity and power, testing	By negotiation based on market price	66.80	7.40%	No	Settlement through banks
Zhu Hai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company serves as a director	Provision of services	Water, electricity and power, property services	By negotiation based on market price	48.44	5.37%	No	Settlement through banks
Zhu Hai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Company in which a Director of the Company serves as a director	Leasing of assets as a lessor	Buildings	By negotiation based on market price	222.63	47.76%	No	Settlement through banks
Zhu Hai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company serves as a director	Leasing of assets as a lessor	Buildings	By negotiation based on market price	24.00	5.15%	No	Settlement through banks
Health Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	Buildings	By negotiation based on market price	9.17	1.97%	No	Settlement through banks
Joincare (Guangdong) Food for Special Medicine Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	Buildings	By negotiation based on market price	25.30	5.43%	No	Settlement through banks

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

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

Related party	Related relationship	Type of related transaction	Details of related transaction	Pricing principle of related transaction	Amount of related transaction (RMB'000)	Percentage in the amount of similar transactions	Exceeded the approved amount	Settlement method of related transaction
Topsino Industries Limited (天誠實業有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	Buildings	By negotiation based on market price	2.51	0.54%	No	Settlement through banks
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Leasing of assets as a lessee	Buildings	By negotiation based on market price	77.96	2.41%	No	Settlement through banks
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessee	Buildings and equipment	By negotiation based on market price	264.34	8.17%	No	Settlement through banks
Total					36,544.21	-	-	-
Details of return of sales in large amount	Not applicable							
Estimated total amount of related transactions in the ordinary course of business during the current period by type and actual performance during the Reporting Period (if any)	<p>During the Year, the total amount of the related transactions actually conducted by the Group in the ordinary course of business was RMB365,442.1 million. Among which, the related transactions actually conducted in the ordinary course of business with Joincare, the controlling Shareholder of the Company, and its subsidiaries amounted to approximately RMB286,590.2 million, representing 46.07% of the estimated amount (RMB622,015.7 million) approved by the general meeting of the Company, the Board and the operating management; the related transactions actually conducted in the ordinary course of business with Blue Treasure Pharma amounted to approximately RMB66,759.0 million, representing 80.51% of the estimated amount (RMB82,920.8 million) approved by the Board of the Company; the related transactions conducted in the ordinary course of business with Zhuhai Sanmed and Sanmed Gene, one of its subsidiaries, amounted to RMB3,754.7 million, representing 85.21% of the estimated amount (RMB4,406.5 million) approved by the Board and the operating management of the Company; the related transactions conducted in the ordinary course of business with L&L Biopharma, Co., Ltd. (上海健信生物醫藥科技有限公司) amounted to RMB0.9434 million, representing 12.50% of the projected amount (RMB7,547.2 million) approved by the Board of the Company; the related transactions conducted in the ordinary course of business with subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司) in aggregate amounted to RMB5,839.5 million, representing 77.86% of the projected amount (RMB7,500.0 million) approved by the operating management of the Company; the related transactions conducted in the ordinary course of business with Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司) amounted to RMB1,062.9 million, representing 70.86% of the projected amount (RMB1,500.0 million) approved by the operating management of the Company; the related transactions conducted in the ordinary course of business with Jiangsu Yiyongjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司) amounted to RMB0.4084 million, representing 62.83% of the projected amount (RMB0.6500 million) approved by the operating management of the Company; and the related transactions conducted in the ordinary course of business with Zhuozhou Jingnan Yongle Golf Club Co., Ltd. (涿州京南永樂高爾夫俱樂部) amounted to RMB0.0840 million, representing 84.00% of the projected amount (RMB0.1000 million) approved by the operating management of the Company.</p> <p>The above related transactions have not exceeded the approved estimated amount.</p>							
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 Related 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 Related Transactions for 2020 and Projected Daily Related Transactions for 2021 of Livzon Pharmaceutical Group Inc. (Announcement No.: 2021-020) dated 17 August 2019, 16 October 2019 and 23 March 2021, respectively.

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

2. Related Transactions relating to Acquisition and Disposal of Assets or Equity

✓ Applicable Not applicable

Related party	Related relationship	Type of related transaction	Details of related transaction	Pricing principle of related transaction	Carrying amount of transferred asset (RMB'000)	Assessed value of transferred asset (RMB'000)	Transfer price (RMB'000)	Settlement method of related transaction	Profit or loss of transaction (RMB'000)	Date of disclosure	Index of disclosure
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 fixed asset	Equipment	Determined by negotiation based on market price	228.21	-	228.21	Settlement through banks	-	N/A	N/A
Shenzhen Taitai Gene Engineering Co., Ltd. (深圳太太基因工程有限公司)	Subsidiary of the controlling shareholder	Purchase of fixed asset	Equipment	Determined by negotiation based on market price	0.92	-	0.92	Settlement through banks	-	N/A	N/A
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	Subsidiary of the controlling shareholder	Sale of fixed asset	Equipment	Determined by negotiation based on market price	15.68	-	17.30	Settlement through banks	1.62	N/A	N/A
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Sale of fixed asset	Equipment	Determined by negotiation based on market price	5.64	-	5.74	Settlement through banks	0.10	N/A	N/A
Joicare (Guangdong) Special Medicine Food Co., Ltd. (健康元(廣東)特醫食品有限公司)	Subsidiary of the controlling shareholder	Sale of fixed asset	Equipment	Determined by negotiation based on market price	-	-	7.08	Settlement through banks	7.08	N/A	N/A
Zhuhai Hengqin Weisheng Precision Medical Technology Co., Ltd. (珠海橫琴維生精準醫學科技有限公司)	Subsidiary of a company in which a Director of the Company serves as a director	Sale of fixed asset	Equipment	Determined by negotiation based on market price	1.77	-	1.77	Settlement through banks	-	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)	Subsidiary of the controlling shareholder	Sale of fixed asset	Equipment	Determined by negotiation based on market price	104.37	-	139.33	Settlement through banks	34.96	N/A	N/A
Reason for significant difference between transfer price and carrying amount or assessed value (if any)				N/A							
Effect on the operating results and financial position of the Company				There was no material effect on the operating results and financial position of the Company							
If the relevant transaction involves committed performance results, the performance results achieved during the Reporting Period				N/A							

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

3. Related Transactions on Joint External Investment

Applicable Not applicable

Co-investor	Related relationship	Name of the investee	Principal business of the investee	Registered capital of the investee (RMB0'000)	Total assets of the investee (RMB0'000)	Net assets of the investee (RMB0'000)	Net profit of the investee (RMB0'000)
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	Shanghai Liyu Biopharmaceutical Technology Co., Ltd. (上海麗予生物醫藥技術有限公司)	Technological services, technological development and related business within the scope of pharmaceutical technology.	300.00	207.64	190.44	10.44
Progress of the material project under construction (if any) of the invested enterprise		Not applicable					

4. Credits and Debts with Related Parties

Applicable Not applicable

Non-operating credits and debts with related parties

Yes No

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

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

Credits due from related parties

Related party	Related relationship	Reason for occurrence	Use of non-operating 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)	A company in which a Director of the Company serves as a director	Sale of finished goods, provision of services	No	509.30	7,777.64	5,721.54	-	-	2,565.40
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	16.20	127.05	69.75	-	-	73.50
Zuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	A company in which a Director of the Company serves as a director	Sale of finished goods, leasing of assets as a lessor	No	21.12	312.83	312.83	-	-	21.12
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Sale of finished goods, provision of services	No	935.24	360.96	1,150.59	-	-	145.61
Zuhai 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 a Director of the Company	Transfer of equity	No	1,096.77	-	1,096.77	-	-	-
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	7.44	80.66	88.10	-	-	-
Zuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company serves as a director	Sale of finished goods, provision of services	No	4.91	90.04	72.02	-	-	22.93
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Subsidiaries of a company in which a Director of the Company serves as a director	Prepayment of products	No	15.39	556.80	538.45	-	-	33.74
Zuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	A company in which a Director of the Company serves as a director	Transfer of equity	No	1,500.00	-	1,500.00	-	-	-
L&L Biopharma, Co. Ltd. (上海健信生物醫藥科技有限公司)	Company in which a member of senior management of the Company serves as a director	Prepayment of R&D technology	No	174.10	10.00	184.10	-	-	-
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	Company controlled by a Director of the Company	Prepayment of services	No	-	121.74	106.29	-	-	15.45
Joincare (Guangdong) Food for Special Medicine Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	No	-	35.38	26.91	-	-	8.47
Effect of credits due from related parties on the operating results and financial position	The above credits due from related parties mainly arose in the ordinary course of business of the Company, there is no material effect on the operating results and financial position of the Company.								

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

4. Credits and Debts with Related Parties (continued)

Debts payable to related parties

Related party	Related relationship	Reason for occurrence	Balance at the Beginning of the Year (RMB'000)	Amount increased for the Year (RMB'000)	Amount repaid for the Year (RMB'000)	Interest rate	Interest for the Year (RMB'000)	Balance at the End of the Year (RMB'000)
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Purchase of raw materials	1,205.96	3,642.35	2,382.83	-	-	2,465.48
Jiaozuo Jincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Purchase of raw materials	16,451.34	23,483.56	21,996.86	-	-	17,938.04
Jiaozuo Jincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Receipt of water, electricity and power	569.56	2,983.18	2,562.76	-	-	989.98
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 a Director of the Company	Dividends payable	146.66	-	146.66	-	-	-
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱製藥有限公司)	Subsidiary of the controlling shareholder	Purchase of raw materials	882.83	1,297.40	2,176.23	-	-	4.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Company in which a Director of the Company serves as a director	Purchase of raw materials	-	314.83	276.83	-	-	38.00
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Subsidiaries of a company in which a Director of the Company serves as a director	Receipt of services	-	70.15	69.26	-	-	0.89
Effect of debts payable to related parties on the operating results and financial position of the Company	The above debts payable to related parties mainly arose in the ordinary course of business of the Company, there is no material effect on the operating results and financial position of the Company.							

5. Dealings with Related Financial Companies

Applicable Not applicable

6. Dealings between Financial Companies Controlled by the Company and Related Parties

Applicable Not applicable

7. Other Major Related Transactions

Applicable Not applicable

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

XIV. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES

1. One-off Connected Transactions

Provision of Guarantees for Livzon MAB

References are made to the announcements dated 15 April 2021 and 4 June 2021, and circulars dated 24 April 2021 and 7 July 2021 of the Company published on the Company's website and HKEXnews.

The Company convened a Board meeting on 15 April 2021 to consider and approve the provision of joint liability guarantees to 6 banks by the Company for Livzon MAB (in which the Company indirectly holds 51.00% equity interest) in its applications for financing facilities up to a total of RMB1,005,000,000 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 8.30% of the Company's latest audited net assets attributable to the shareholders of the parent company (RMB12,107.2419 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 2020 annual general meeting of the Company on 20 May 2021.

In view of the business and R&D needs of Livzon MAB, Livzon MAB intended to adjust its cap of facility financing to RMB2,350,000,000. Therefore, on 4 June 2021, the Board considered and approved the provision of joint liability guarantees to the 10 banks for Livzon MAB's applications of facility financing of no more than RMB2,350,000,000 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").

To ensure the fairness and equivalence of the Livzon MAB Guarantees, Joicare (which indirectly holds 33.07% 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 15 April 2021, Joicare directly and indirectly held approximately 44.60% equity interest in the total issued share capital of the Company, and Livzon MAB is indirectly held as to 33.07% 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 Original 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 Original Livzon MAB Guarantees exceed 0.1% but are less than 5%, the Original 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.

As at 4 June 2021, Joicare directly and indirectly held approximately 44.81% equity interest in the total issued share capital of the Company, and Livzon MAB is indirectly held as to 33.07% 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 New 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 New Livzon MAB Guarantees exceed 5%, the New Livzon MAB Guarantees are subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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

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

Provision of Guarantees for Livzon MAB *(continued)*

The New Livzon MAB Guarantees have been considered and approved at the 2021 third extraordinary general meeting of the Company held on 29 July 2021, while the Original Livzon MAB Guarantees had lapsed at the same time.

The provision of the Livzon MAB Guarantees will facilitate the daily operation and business of Livzon MAB (including the R&D of COVID-19 vaccines), 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.

During the year from 1 January 2021 to 31 December 2021, the daily balance of credit facilities for Livzon MAB guaranteed by the Company did not exceed RMB851.23 million.

Connected Transactions in Relation to Reorganization of Shareholding Structures of Controlling Subsidiaries

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

On 4 December 2020, in order to optimize the shareholding structures of the controlling subsidiary of the Company, Livzon Cayman, and its subsidiaries and to facilitate onshore and offshore financing for these companies, after consideration and approval by the Board, the Company, Livzon International, Joicare, Joicare BVI, YF Pharmab Limited ("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.

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

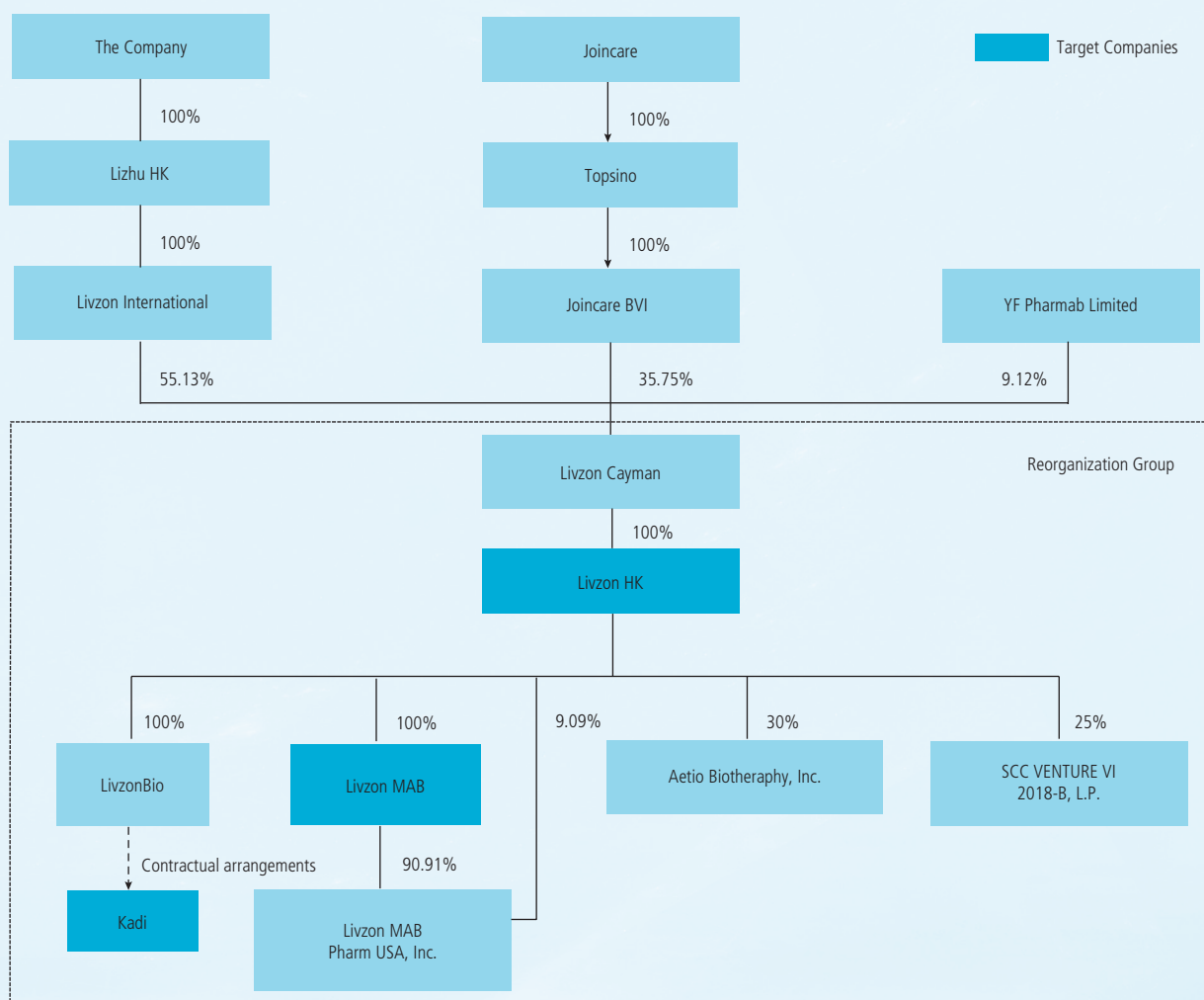
1. One-off Connected Transactions *(continued)*

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 the shares of Livzon Cayman (the “Livzon Cayman Shares”) upon exercise of share options under the Subsidiary Share Option Scheme#



For details of the Subsidiary Share Option Scheme, please refer to “XXI. The Subsidiary Share Option Scheme” in Section III 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.

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

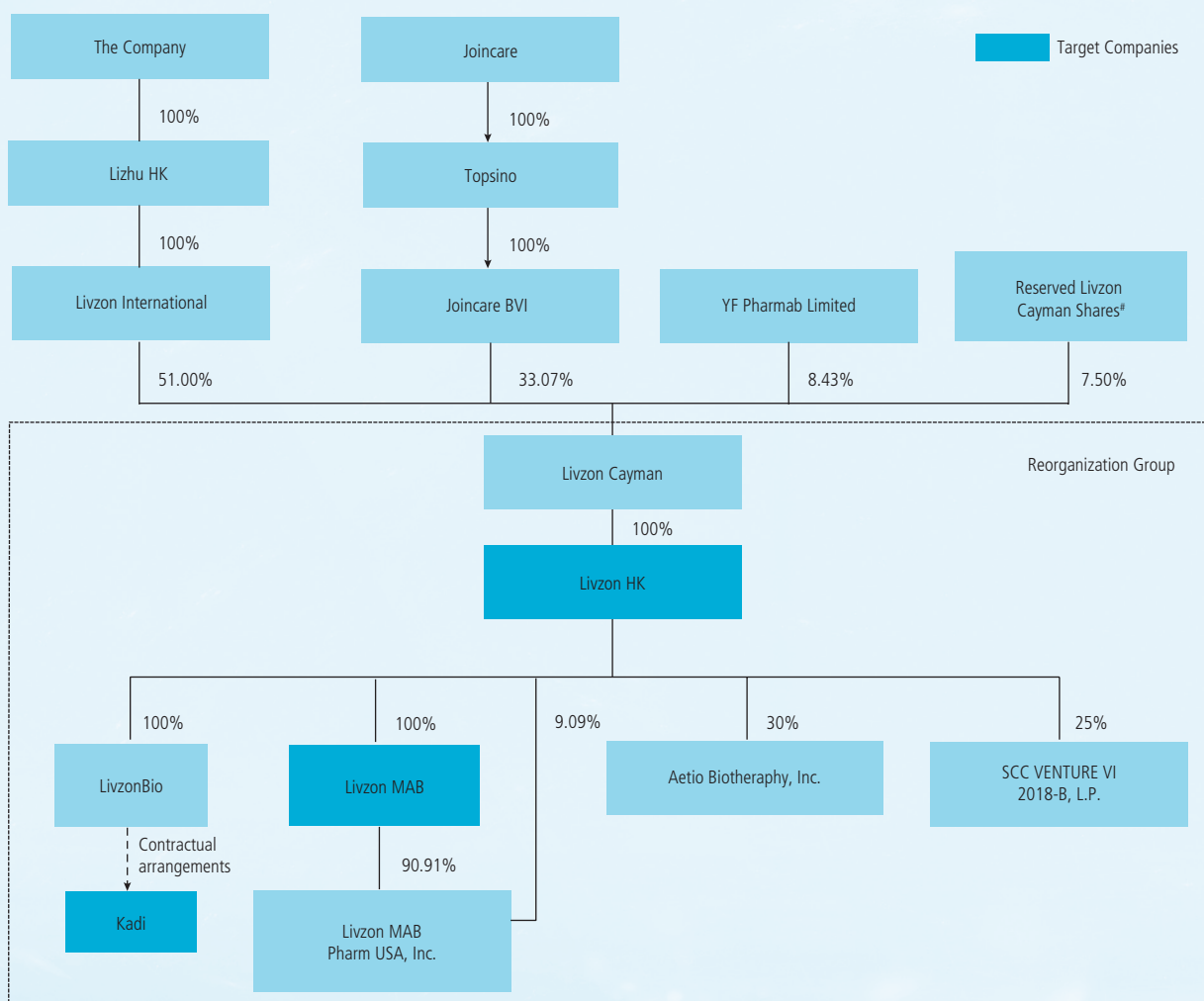
1. One-off Connected Transactions *(continued)*

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 Option Scheme



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

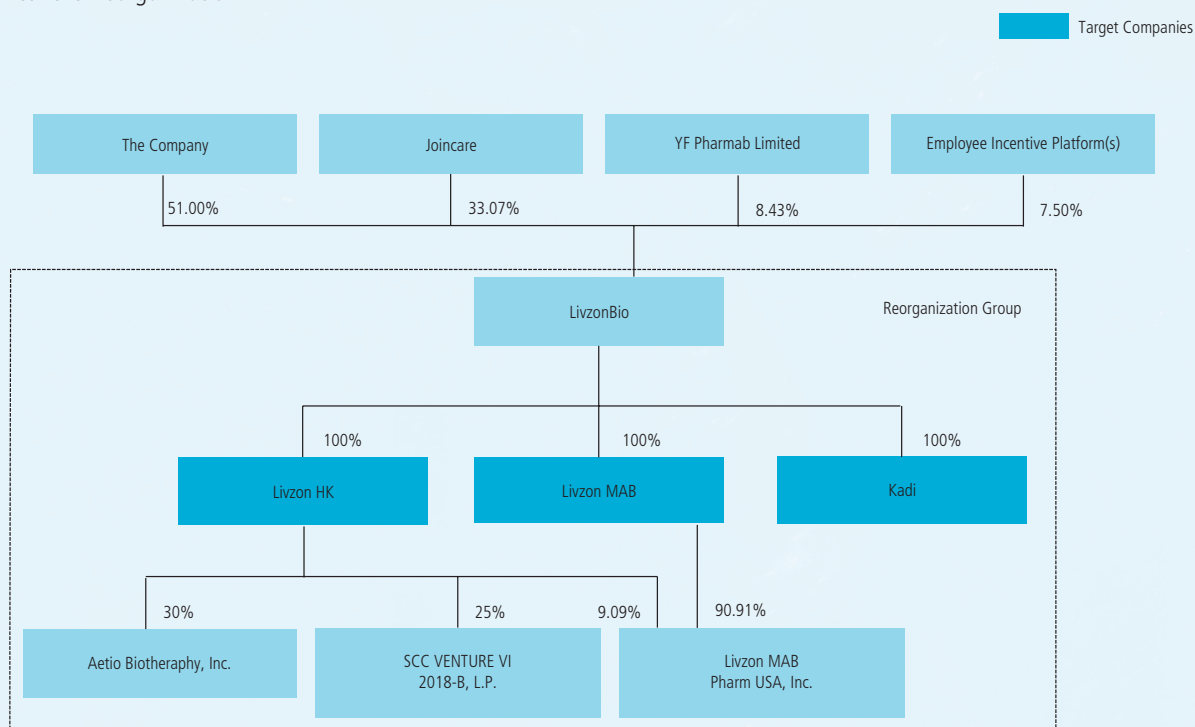
XIV. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES *(continued)*

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)*

After the Reorganization



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 the 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 were connected persons of the Company.

XIV. 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)*

As the transactions contemplated under the Reorganization Framework Agreement were interconnected, mutually conditional, and were expected to complete within 12 months, the transactions contemplated under the Reorganization Framework Agreement shall be therefore 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 was higher than 0.1% but less than 5%, and the consideration for Reorganization was more than HK\$3,000,000, the transactions contemplated under the Reorganization Framework Agreement (a) did 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 constituted connected transactions and shall be subject to reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules, but were 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 were required to be submitted to the general meeting of the Company for consideration and approval, and were considered and approved at 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 for 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 date, 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 would be increased from RMB250,000,000 to RMB666,666,667, and the increased registered capital would 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.

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 for 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 would be credited to the capital reserve of LivzonBio, and LivzonBio would 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 date, 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) for a consideration of RMB1,480.00 million, LivzonBio would 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 is directly owned by LivzonBio as to 100.00% equity interest.

XIV. 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 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 for a consideration of RMB39.44565 million. The equity transfer was completed on 16 April 2021. After the change, Livzon HK is directly owned by LivzonBio as to 100.00% equity interest.

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 for 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 for a consideration of RMB306,038,709 and RMB294,037,191 respectively. As at 26 February 2021, Livzon Cayman had successively repurchased 137,074,829 shares in issue, and had completed payment of repurchase consideration to Livzon International, YF and Joicare BVI. The above share repurchases were completed. Livzon Cayman only preserves 1 issued ordinary share, which is held by Livzon International. Livzon Cayman is directly owned by Livzon International as to 100.00% equity interest, and the relevant registration of Livzon Cayman will be cancelled. Livzon International and Livzon Cayman completed deregistration on 31 December 2021.

The Company had also published relevant progress announcements on Cninfo, HKEXnews and the Company's website in relation to the above progress of the Reorganization.

Entering into the Technology Transfer Contract with Joicare

Reference is made to the announcement dated 29 July 2021 of the Company published on the Company's website and HKEXnews. On 29 July 2021, the Company convened a Board meeting to consider and approve the Resolution on the Related Transaction in Relation to Technology Transfer. On the same date, Pharmaceutical Factory and Joicare entered into the Technology Transfer Contract (the "Technology Transfer Contract"), pursuant to which Joicare intended to transfer its self-developed prolonged-action Aripiprazole solution for intramuscular injection (阿立哌唑長效肌肉注射劑) (400mg) ("Aripiprazole microcrystal") project (the "Project") to Pharmaceutical Factory (the "Transfer"), and Pharmaceutical Factory agreed to pay the corresponding transfer fee which amounted to RMB40.20 million (the "Transfer Fee") by four instalments. Subsequently, Pharmaceutical Factory shall pay Joicare a commission (tax exclusive), calculated at 6% of the annual net sales revenue of the product under the Project in the annual audit report of Pharmaceutical Factory, for a term of ten years from the time when the product under the Project is launched. After ten years, the sales commission will be subject to separate negotiation and confirmation by both parties.

The Transfer will help enrich the Company's drug preparation products in the field of psychiatry, which is in line with the direction of the Company's medium- and long-term strategic development. Aripiprazole microcrystal is a new type of atypical anti-schizophrenia drug, the indications and clinical applications of which mainly involve schizophrenia, bipolar disorder, treatment-resistant depression, etc. Aripiprazole prolonged-action preparation drugs have not yet been marketed for sale in mainland China. Therefore, the Company is of the view that the Project has good market potential.

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

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

Entering into the Technology Transfer Contract with Joincare *(continued)*

As at 29 July 2021, Joincare directly and indirectly owned approximately 44.74% equity interest in the Company, and therefore was the controlling Shareholder of the Company. As such, Joincare and its associates were connected persons of the Company, and the transactions contemplated under the Technology Transfer Contract constituted connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios in respect of the Transfer Fee exceed 0.1% but were less than 5%, the transactions contemplated under the Technology Transfer Contract were subject to the reporting and announcement requirements, but were exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

2. Continuing Connected Transaction

Entering into the 2021 First Labour Services Framework Agreement with Joincare

References are made to the announcements dated 22 March 2021 and 29 March 2021 of the Company published on the Company's website and HKEXnews. On 22 March 2021, upon consideration and approval by the Board, the Company entered into the 2021 First Labour Services Framework Agreement with Joincare. Pursuant to the 2021 First Labour Services Framework Agreement, during the period from 1 January 2021 to 31 December 2021, the Group will receive labour services from the Joincare Group, which mainly include (i) water, electricity, steam and sewage treatment, and (ii) R&D of drugs, with a cap of RMB73.14 million (the "2021 Cap for Receipt of Labour Services").

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), both subsidiaries of the Company, were located inside the production site of Jiaozuo Joincare (a subsidiary of Joincare), they required the labour services from Jiaozuo Joincare 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) ("Shanghai Fangyu") and Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司) ("Henan Institute"), both subsidiaries of Joincare, would provide R&D service of drugs to the Group by leveraging Shanghai Fangyu's extensive experience in R&D of drugs and Henan Institute being a core R&D institution focusing on biopharmaceutical intermediates and active pharmaceutical ingredients, which would help advance the R&D progress of drugs of the Group.

On 22 March 2021, Joincare directly and indirectly held approximately 44.60% equity interest in the Company, and was the controlling Shareholder of the Company. Therefore, Joincare and its associates were connected persons of the Company, and the transactions contemplated under the 2021 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 ratio of the 2021 Cap for Receipt of Labour Services was higher than 0.1% but lower than 5%, the transactions contemplated under the 2021 First Labour Services Framework Agreement were subject to the reporting and announcement requirements, but were exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

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

2. Continuing Connected Transaction *(continued)*

Entering into the New 2021 Water & Electricity Framework Agreement with Livzon MAB

Reference is made to the announcement dated 4 June 2021 of the Company published on the Company's website and HKEXnews. On 4 June 2021, in order to meet the business development needs of Livzon MAB, the Company convened a Board meeting to consider and approve the adjustment to the cap of the continuing connected transactions in relation to provision of water, electricity, steam and sewage treatment by the Group to Livzon MAB for the period from 1 January 2021 to 31 December 2021, with the cap changed from RMB10.09 million to RMB24.05 million (the "2021 New Cap"). On the same date, the Company and Livzon MAB entered into the New 2021 Water Electricity Framework Agreement in relation to the abovementioned continuing connected transactions, and the de minimis Existing 2021 Water Electricity Framework Agreement entered into on 31 December 2020 ceased to be effective.

The provision of water, electricity, steam and sewage treatment by the Group to Livzon MAB could reduce the potential impact on the production and operation of Livzon MAB and save costs, thereby improving the overall operation performance of the Group as Livzon MAB was a controlling subsidiary of the Company.

On 4 June 2021, Joicare directly and indirectly owned approximately 44.81% equity interest in the Company, so it was the controlling Shareholder of the Company. Joicare indirectly owned 33.07% equity interest in Livzon MAB, so Livzon MAB was an associate of Joicare. Therefore, Joicare and its associates and Livzon MAB were connected persons of the Company and the transactions contemplated under the New 2021 Water Electricity Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio of the 2021 New Cap was higher than 0.1% but lower than 5%, the transactions contemplated under the New 2021 Water Electricity Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Entering into the New 2021 Leasing Assets Framework Agreement with Livzon MAB

Reference is made to the announcement dated 4 June 2021 of the Company published on the Company's website and HKEXnews. On 4 June 2021, in order to meet the business development needs of Livzon MAB, the Company convened a Board meeting to consider and approve the adjustment to the cap of the continuing connected transactions in relation to leasing assets (including factories and equipment) by the Group to Livzon MAB for the period from 1 January 2021 to 31 December 2021, with the cap changed from RMB2.02 million to RMB17.68 million (the "2021 New Cap"). On the same date, the Company and Livzon MAB entered into the New 2021 Leasing Assets Framework Agreement in relation to the above-mentioned continuing connected transactions, and the de minimis Existing 2021 Leasing Assets Framework Agreement entered into on 31 December 2020 ceased to be effective.

Leasing factories and equipment by Livzon MAB from Pharmaceutical Factory, a subsidiary of the Company, could reduce the potential impact on the production and operation of Livzon MAB and save costs, thereby improving the overall operation performance of the Group as Livzon MAB was a controlling subsidiary of the Company.

On 4 June 2021, Joicare directly and indirectly owned approximately 44.81% equity interest in the Company, so it was the controlling Shareholder of the Company. Joicare indirectly owned 33.07% equity interest in Livzon MAB, so Livzon MAB was an associate of Joicare. Therefore, Joicare and its associates and Livzon MAB were connected persons of the Company and the transactions contemplated under the New 2021 Leasing Assets Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio of the 2021 New Cap was higher than 0.1% but lower than 5%, the transactions contemplated under the New 2021 Leasing Assets Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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

2. Continuing Connected Transaction *(continued)*

Entering into the New 2021 Labour Services Framework Agreement with Livzon MAB

Reference is made to the announcement dated 4 June 2021 of the Company published on the Company's website and HKEXnews. On 4 June 2021, in order to meet the business development needs of Livzon MAB, the Company convened a Board meeting to consider and approve the adjustment to the cap of the continuing connected transactions in relation to provision of labour services (including management services in clinical R&D and clinical trial, and commissioned production of drugs) by the Group to Livzon MAB for the period from 1 January 2021 to 31 December 2021, with the cap changed from RMB10.40 million to RMB22.06 million (the "2021 New Cap"). On the same date, the Company and Livzon MAB entered into the New 2021 Labour Services Framework Agreement in relation to the above-mentioned continuing connected transactions, and the de minimis Existing 2021 Labour Services Framework Agreement entered into on 31 December 2020 ceased to be effective.

In regard to management services in clinical R&D and clinical trial, Livzon MAB could leverage the long experience and resources of the Group in terms of management of drug R&D, so as to enhance its quality of management of clinical trial and accelerate the relevant progress; in regard to commissioned production of drugs, Livzon MAB could leverage the Group's sound production experience and a long history of excellence in the production of hormone drugs, fully utilize the Group's production workshops that met the requirements for rHCG technique and preparation, and utilize the Group's part of surplus production capacity to optimize the capacity utilization of the production workshops of the Group. Meanwhile, Livzon MAB could focus its resources on R&D by avoiding the repeated construction of its production capacity. Therefore, the overall operation performance of the Group could be improved, as Livzon MAB was a controlling subsidiary of the Company.

On 4 June 2021, Joicare directly and indirectly owned approximately 44.81% equity interest in the Company, so it was the controlling Shareholder of the Company. Joicare indirectly owned 33.07% equity interest in Livzon MAB, so Livzon MAB was an associate of Joicare. Therefore, Joicare and its associates and Livzon MAB were connected persons of the Company and the transactions contemplated under the New 2021 Labour Services Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio of the 2021 New Cap was higher than 0.1% but lower than 5%, the transactions contemplated under the New 2021 Labour Services Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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

2. Continuing Connected Transaction *(continued)*

Provision of Continuing Guarantees for Livzon MAB

References are made to the announcement of the Company dated 25 October 2021 and the circular of the Company dated 18 November 2021 published on the Company's website and HKEXnews, and the relevant content in "Provision of Guarantees for Livzon MAB" under "1. One-off Connected Transactions" in this section.

On 25 October 2021, the Company convened a Board meeting to consider and approve that the Company and Livzon MAB entered into the 2022 Continuing Guarantee Support Framework Agreement (the "Framework Agreement"), pursuant to which during the three-year period from 1 January 2022 to 31 December 2024, both dates inclusive, the maximum amount (i.e. the maximum daily guarantee balance) for the guarantees to be provided by the Company upon request from Livzon MAB was RMB2.35 billion (or its equivalent in foreign currencies) (the "Guarantees").

On 25 October 2021, Joicare directly and indirectly held approximately 44.68% equity interest of the total issued share capital of the Company, and Livzon MAB was indirectly held as to 33.07% by Joicare. Therefore, Livzon MAB, as an associate of Joicare, was a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. As such, the Guarantees constituted discloseable and continuing connected transactions of the Company under the Hong Kong Listing Rules. As the highest applicable percentage ratios (other than the profit ratio) (as defined under the Hong Kong Listing Rules) in respect of the annual caps of the Guarantees exceeds 5% but less than 25%, therefore the Guarantees contemplated under the Framework Agreement were subject to the requirements of reporting, announcement, annual review and approval of the independent Shareholders under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules. According to the Shenzhen Listing Rules and the Articles of Association, the Guarantees were also subject to approval from the Shareholders by way of special resolution at the extraordinary general meeting.

In order to ensure the fairness and equivalence of the Livzon MAB Guarantees, Joicare, which indirectly held 33.07% equity interest in Livzon MAB, upon approval by its shareholders, had issued the Company a "Letter of Undertaking for Counter Guarantees", pursuant to which Joicare undertook to provide counter guarantees in favor of the Company for any amount payable by the Company in connection with the Guarantees in proportion to its shareholdings in Livzon MAB. The term of the counter guarantees would expire on the same expiry date of the Company's obligation under the Guarantees.

The Guarantees were considered and approved at the 2021 fourth extraordinary general meeting of the Company on 10 December 2021. The Guarantees had become effective from 1 January 2021, and the New Livzon MAB Guarantees as considered and approved at the 2021 third extraordinary general meeting of the Company had lapsed on 31 December 2021.

The Framework Agreement could optimize the loan structure of Livzon MAB by allowing it to obtain long-term credit facilities rather than only short-term credit facilities, which could better adapt to its business cycle to support the financing needs of Livzon MAB throughout different stages of its business cycle from R&D stage to launch of products until sufficient revenue can be generated to repay relevant loans.

During the period from 1 January 2022 to the disclosure date of this report, the daily balance of credit facilities for Livzon MAB guaranteed by the Company did not exceed RMB1,047.01 million.

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

2. Continuing Connected Transaction *(continued)*

Entering into the 2022 Water Electricity Framework Agreement with Joincare

Reference is made to the announcement dated 30 December 2021 of the Company published on the Company's website and HKEXnews. On 30 December 2021, the Company and Joincare entered into the 2022 Water Electricity Framework Agreement in relation to the continuing connected transactions for receipt of water, electricity, steam, natural gas and sewage treatment from the Joincare Group by the Group for the period from 1 January 2022 to 31 December 2022 with a cap of RMB37.35 million (the "2022 Water Electricity Cap").

Jiaozuo Hecheng and Shanghai Livzon Biotechnology Co., Ltd., Jiaozuo Branch (上海麗珠生物科技有限公司焦作分公司), both subsidiaries of the Company, were located inside the production site of Jiaozuo Joincare, a subsidiary of Joincare, and required Jiaozuo Joincare to provide water, electricity, steam, natural gas and sewage treatment for production and operation purposes.

As at 30 December 2021, Joincare directly and indirectly owned approximately 44.66% equity interest in the Company, and therefore was the controlling Shareholder of the Company. Therefore, Joincare and its associates were connected persons of the Company and the transactions contemplated under the 2022 Water Electricity Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios of the 2022 Water Electricity Cap were higher than 0.1% but lower than 5%, the transactions contemplated under the 2022 Water Electricity Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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

2. Continuing Connected Transaction *(continued)*

Entering into the 2022 Labour Services Framework Agreement with Joincare

Reference is made to the announcement dated 30 December 2021 of the Company published on the Company's website and HKEXnews. On 30 December 2021, the Company and Joincare entered into the 2022 Labour Services Framework Agreement in relation to the continuing connected transactions for receipt of labour services from the Joincare Group by the Group for the period from 1 January 2022 to 31 December 2022 with a cap of RMB16.33 million (the "2022 Labour Services Cap").

Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司) ("Shanghai Fangyu") and Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司) ("Henan Institute"), both subsidiaries of Joincare, provided R&D services in drugs to the Group by leveraging upon the extensive experience of Shanghai Fangyu in R&D of drugs, whereas Henan Institute was a core R&D institution focusing on biopharmaceutical intermediates and active pharmaceutical ingredients, which would help advance the Group's R&D progress of drugs.

As at 30 December 2021, Joincare directly and indirectly owned approximately 44.66% equity interest in the Company, and therefore was the controlling Shareholder of the Company. Therefore, Joincare and its associates were connected persons of the Company and the transactions contemplated under the 2022 Labour Services Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios of the 2022 Labour Services Cap were higher than 0.1% but lower than 5%, the transactions contemplated under the 2022 Labour Services Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Entering into the 2022 Water Electricity Framework Agreement with Livzon MAB

Reference is made to the announcement dated 30 December 2021 of the Company published on the Company's website and HKEXnews. On 30 December 2021, in order to meet the business development needs of Livzon MAB, the Company convened a Board meeting to consider and approve the continuing connected transactions in relation to provision of water, electricity, steam and sewage treatment by the Group to Livzon MAB for the period from 1 January 2022 to 31 December 2022, with a cap of RMB34.30 million (the "2022 Water Electricity Cap"). On the same date, the Company and Livzon MAB entered into the 2022 Water Electricity Framework Agreement in relation to the above-mentioned continuing connected transactions.

The provision of water, electricity, steam and sewage treatment by the Group to Livzon MAB can reduce the potential impact on the production and operation of Livzon MAB and save costs, thereby improving the overall operation performance of the Group as Livzon MAB was a controlling subsidiary of the Company.

As at 30 December 2021, Joincare directly and indirectly owned approximately 44.66% equity interest in the Company, and therefore was the controlling Shareholder of the Company. Joincare indirectly owned 33.07% equity interest in Livzon MAB, and therefore Livzon MAB was an associate of Joincare. Therefore, Joincare and its associates and Livzon MAB were connected persons of the Company, and the transactions contemplated under the 2022 Water Electricity Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios of the 2022 Water Electricity Cap were higher than 0.1% but lower than 5%, the transactions contemplated under the 2022 Water Electricity Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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

2. Continuing Connected Transaction *(continued)*

Entering into the 2022 Labour Services Framework Agreement with Livzon MAB

Reference is made to the announcement dated 30 December 2021 of the Company published on the Company's website and HKEXnews. On 30 December 2021, in order to meet the business development needs of Livzon MAB, the Company convened a Board meeting to consider and approve the continuing connected transactions in relation to provision of labour services by the Group to Livzon MAB for the period from 1 January 2022 to 31 December 2022, with a cap of RMB27.00 million (the "2022 Labour Services Cap"). On the same date, the Company and Livzon MAB entered into the 2022 Labour Services Framework Agreement in relation to the above-mentioned continuing connected transactions.

In regard to management services in clinical R&D and clinical trial, Livzon MAB could leverage the long experience and resources of the Group in terms of management of drug R&D, so as to enhance its quality of management of clinical trial and accelerate the relevant progress; in regard to commissioned production of drugs, Livzon MAB could leverage the Group's sound production experience and a long history of excellence in the production of hormone drugs, fully utilize the Group's production workshops that met the requirements for rHCG technique and preparation, and utilize the Group's part of surplus production capacity to optimize the capacity utilization of the production workshops of the Group. Meanwhile, Livzon MAB could focus its resources on R&D by avoiding the repeated construction of its production facilities. Therefore, the overall operation performance of the Group could be improved, as Livzon MAB was a controlling subsidiary of the Company.

As at 30 December 2021, Joincare directly and indirectly owned approximately 44.66% equity interest in the Company, and therefore was the controlling Shareholder of the Company. Joincare indirectly owned 33.07% equity interest in Livzon MAB, and therefore Livzon MAB was an associate of Joincare. Therefore, Joincare and its associates and Livzon MAB were connected persons of the Company, and the transactions contemplated under the 2022 Labour Services Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios of the 2022 Labour Services Cap were higher than 0.1% but lower than 5%, the transactions contemplated under the 2022 Labour Services Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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

2. Continuing Connected Transaction *(continued)*

Entering into the 2022 Leasing Assets Framework Agreement with Livzon MAB

Reference is made to the announcement dated 30 December 2021 of the Company published on the Company's website and HKEXnews. On 30 December 2021, in order to meet the business development needs of Livzon MAB, the Company convened a Board meeting to consider and approve the continuing connected transactions in relation to leasing assets by the Group to Livzon MAB for the period from 1 January 2022 to 31 December 2022, with a cap of RMB36.32 million (the "2022 Lease Cap"). On the same date, the Company and Livzon MAB entered into the 2022 Leasing Assets Framework Agreement in relation to the above-mentioned continuing connected transactions.

Leasing factories and equipment by Livzon MAB from Pharmaceutical Factory, a subsidiary of the Company, could reduce the potential impact on the production and operation of Livzon MAB and save costs, thereby improving the overall operation performance of the Group as Livzon MAB was a controlling subsidiary of the Company.

As at 30 December 2021, Joicare directly and indirectly owned approximately 44.66% equity interest in the Company, and therefore was the controlling Shareholder of the Company. Joicare indirectly owned 33.07% equity interest in Livzon MAB, and therefore Livzon MAB was an associate of Joicare. Therefore, Joicare and its associates and Livzon MAB were the connected persons of the Company, and the transactions contemplated under the 2022 Leasing Assets Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios of the 2022 Lease Cap were higher than 0.1% but lower than 5%, the transactions contemplated under the 2022 Leasing Assets Framework Agreement were subject to the reporting and announcement requirements, but were exempted from the Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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 2021 is RMB456 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 RMB251.97 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.

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

2. Continuing Connected Transaction *(continued)*

List of continuing connected transactions for the year 2021

Connected Parties	Relationships	Type of connected transactions	Pricing principle of connected transactions	Amounts of connected transactions in 2021 <i>(RMB'000)</i>
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	3,223.32
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Determined by negotiation based on market price	20,781.91
Joincare 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	43.90
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	1,148.14
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	436.03
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Determined by negotiation based on market price	2,164.25
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱製藥有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Determined by negotiation based on market price	3.09
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Determined by negotiation based on market price	5.85
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Determined by negotiation based on market price	2.48
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	146.56
Joincare 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	114.69
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Sale of goods	Determined by negotiation based on market price	4.04
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	112.43
Joincare 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	24.78
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	54.03
Joincare (Guangdong) Food for Special Medicine Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Subsidiary of the controlling shareholder	Provision of services	Determined by negotiation based on market price	0.76
Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Subsidiary of the controlling shareholder	Provision of services	Determined by negotiation based on market price	13.48
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
Joincare (Guangdong) Food for Special Medicine Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	Determined by negotiation based on market price	25.30

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

2. Continuing Connected Transaction (continued)

List of continuing connected transactions for the year 2021 (continued)

Connected Parties	Relationships	Type of connected transactions	Pricing principle of connected transactions	Amounts of connected transactions in 2021 (RMB0'000)
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	2.51
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Leasing of assets as a lessee	Determined by negotiation based on market price	77.96
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessee	Determined by negotiation based on market price	264.34
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Company in which a Director of the Company holds directorship	Purchase of goods	Determined by negotiation based on market price	2.86
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Company in which a Director of the Company holds directorship	Provision of services	Determined by negotiation based on market price	66.80
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Company in which a Director of the Company holds directorship	Leasing of assets as a lessor	Determined by negotiation based on market price	222.63
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company holds directorship	Receipt of services	Determined by negotiation based on market price	1.44
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company holds directorship	Sale of goods	Determined by negotiation based on market price	9.30
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company holds directorship	Provision of services	Determined by negotiation based on market price	48.44
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Subsidiary of a company in which a Director of the Company holds directorship	Leasing of assets as a lessor	Determined by negotiation based on market price	24.00
Zhuozhou Jingnan Yongle Golf Club Co., Ltd. (涿州京南永樂高爾夫俱樂部有限公司)	Company controlled by a Director of the Company	Receipt of services	Determined by negotiation based on market price	8.40
Jiangsu Yiyinjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	Company controlled by a Director of the Company	Purchase of products	Determined by negotiation based on market price	39.34
Jiangsu Yiyinjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	Company controlled by a Director of the Company	Receipt of services	Determined by negotiation based on market price	1.50
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	Company controlled by a Director of the Company	Receipt of services	Determined by negotiation based on market price	106.29
Shanghai Liyu Biopharmaceutical Technology Co., Ltd. (上海麗予生物醫藥技術有限責任公司)	Subsidiary	Receipt of services	Determined by negotiation based on market price	300.00
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Purchase of products	Determined by negotiation based on market price	787.57
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Sale of products	Determined by negotiation based on market price	87.71
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Provision of services	Determined by negotiation based on market price	3,123.64
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Leasing of assets as a lessor	Determined by negotiation based on market price	1,766.20
Total				35,255.14

XIV. 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 or better terms;
- such transactions were conducted in accordance with the agreements governing such transactions, and the terms of such transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- the Group has adopted appropriate internal control procedures in the ordinary course of business which have been implemented properly and effectively.

Confirmation from the auditor in respect of the above connected transactions

The auditor of the Company has 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 2021.

XIV. 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 that they will not exceed the annual caps;
- We review our internal pricing policy or mechanism regularly; and
- We meet with the management, the Audit Committee and internal auditors regularly to review related transactions and relevant internal control measures.

3. Connected Transactions and Related Party Transactions

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

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

Applicable Not applicable

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

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

XV. 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	Security (if any)	Counter guarantee	Period of guarantee	Performance completed	Related party guarantee	
Zuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	2020.11.17	3,000.00	2021.1.1	–	Joint liability guarantee	Nil	Other shareholders of the guaranteed party have provided counter guarantee	2020.12.24-2021.12.24	Yes	Yes	
Total of external guaranteed amount approved during the Reporting Period (A1)				–	Total of actual external guaranteed amount occurred during the Reporting Period (A2)				2,900.00		
Total of external guaranteed amount approved at the End of the Reporting Period (A3)				5,000.00	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	Security (if any)	Counter guarantee	Period of guarantee	Performance completed	Related party guarantee
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2021.6.5	15,000.00	2020.3.20	3,605.25	Joint liability guarantee	Nil	Other shareholders of the guaranteed party have provided counter 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)	2021.6.5	30,000.00	2021.9.30	15,376.57	Joint liability guarantee	Nil		2021.9.30-2023.8.25	No	No
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2021.6.5	20,000.00	2021.4.20	19,282.66	Joint liability guarantee	Nil		2020.12.29-2021.12.29	No	No
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2021.6.5	20,000.00	2021.7.12	9,109.12	Joint liability guarantee	Nil		2021.5.20-2022.5.19	No	No
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2021.6.5	30,000.00	2021.5.27	19,537.54	Joint liability guarantee	Nil		2021.5.27-2022.5.20	No	No
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2021.6.5	20,000.00	2021.8.3	14,921.64	Joint liability guarantee	Nil		2021.8.3-2022.8.3	No	No
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2021.6.5	30,000.00	2021.9.8	3,289.97	Joint liability guarantee	Nil		2021.9.8-2025.9.7	No	No
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2021.3.23	28,000.00	2020.3.31	4,514.15	Joint liability guarantee	Nil	Nil	2020.3.31-2023.2.21	No	No
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2021.3.23	30,000.00	2021.8.4	7,479.17	Joint liability guarantee	Nil	Nil	2021.8.4-2024.3.22	No	No

XV. 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	Security (if any)	Counter guarantee	Period of guarantee	Performance completed	Related party guarantee
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2021.3.23	15,000.00	2021.7.28	679.27	Joint liability guarantee	Nil	Nil	2021.7.28-2022.7.28	No	No
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2021.3.23	20,000.00	2020.3.30	1,007.12	Joint liability guarantee	Nil	Nil	2020.3.30-2023.2.21	No	No
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2021.3.23	20,000.00	2020.6.10	11,895.87	Joint liability guarantee	Nil	Nil	2017.8.22-2025.6.1	No	No
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2021.3.23	10,000.00	2021.7.28	175.00	Joint liability guarantee	Nil	Nil	2021.7.28-2022.7.28	No	No
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2021.3.23	8,000.00	2020.6.10	2,653.27	Joint liability guarantee	Nil	Other shareholders of the guaranteed party have provided counter guarantee	2017.8.22-2025.6.1	No	No
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2021.3.23	4,000.00	2020.5.20	250.26	Joint liability guarantee	Nil		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)	2021.3.23	11,000.00	2021.1.4	667.70	Joint liability guarantee	Nil		2020.12.31-2021.12.31	No	No
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2021.3.23	12,000.00	2020.6.30	5,936.43	Joint liability guarantee	Nil		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)	2021.3.23	22,000.00	2020.6.10	9,799.44	Joint liability guarantee	Nil		2017.8.22-2025.6.1	No	No
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興製藥有限公司)	2021.3.23	10,000.00	2020.6.10	4,972.40	Joint liability guarantee	Nil		2017.8.22-2025.6.1	No	No
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2021.3.23	8,000.00	2020.6.10	2,128.07	Joint liability guarantee	Nil	Nil	2017.8.22-2025.6.1	No	No
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2021.3.23	15,000.00	2020.6.10	12,064.18	Joint liability guarantee	Nil	Nil	2017.8.22-2025.6.1	No	No

XV. 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	Security (if any)	Counter guarantee	Period of guarantee	Performance completed	Related party guarantee
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2021.3.23	6,000.00	2021.1.14	2,465.45	Joint liability guarantee	Nil	Nil	2021.1.14-2023.2.21	No	No
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	2021.3.23	15,000.00	2021.7.28	6,578.46	Joint liability guarantee	Nil	Nil	2021.7.28-2022.7.28	No	No
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	2021.3.23	4,000.00	2020.6.10	267.90	Joint liability guarantee	Nil	Nil	2017.8.22-2025.6.1	No	No
Total of guaranteed amount to its subsidiaries approved during the Reporting Period (B1)				1,379,300.00	Total of actual guaranteed amount to its subsidiaries occurred during the Reporting Period (B2)					270,627.03
Total of guaranteed amount to its subsidiaries approved at the End of the Reporting Period (B3)				1,379,300.00	Total of actual guaranteed amount to its subsidiaries occurred at the End of the Reporting Period (B4)					158,656.89

Subsidiaries' guarantees to subsidiaries

Name of guaranteed party	Disclosure date of the announcements relating to guaranteed amount	Guaranteed amount	Actual date of event (signing date of the agreement)	Actual guarantee amount	Type of guarantee	Security (if any)	Counter guarantee	Period of guarantee	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)	1,379,300.00	Total of actual guaranteed amount occurred during the Reporting Period (A2+B2+C2)	273,527.03
Total of guaranteed amount approved at the End of the Reporting Period (A3+B3+C3)	1,384,300.00	Total of actual guaranteed amount occurred at the End of the Reporting Period (A4+B4+C4)	158,656.89
Total of actual guaranteed amount (A4+B4+C4) as a percentage to the net assets of the Company			12.20%
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)			121,966.71
The amount exceeding 50% of net assets in total guarantee amount (F)			-
Total guarantee amount of the above three items (D+E+F)			121,966.71
Statement on the contingent joint liability in connection with outstanding guarantees (if any)			Not applicable
Statement on illegal external guarantees (if any)			Not applicable

XV. MATERIAL CONTRACTS AND THEIR ENFORCEMENT (continued)**2. Major Guarantees** (continued)**(1) Guarantees** (continued)**Pledge and guarantee of bills**

The thirteenth meeting of the ninth session of the Board of the Company considered and approved the "Resolution on Conducting Bills Pooling Business" and agreed that an amount of up to RMB1.4 billion for conducting bills pooling business would be shared by the Company and its subsidiaries, such amount may be utilized on rolling basis. The pledge and guarantee of bills as at 31 December 2021 are as follows:

Unit: RMB'000

Guarantor	Pledgee	Pledged amount of bills receivable	Name of guaranteed party	Description of guarantee	Guaranteed amount	Period of guarantee
The Company	China Merchants Bank (招商銀行)	22,652.32	Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	1,985.08	Until 13 June 2022
			Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	4,321.79	Until 13 June 2022
			Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	29.34	Until 22 April 2022
			Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	9,661.91	Until 16 September 2022
			Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Opening bank acceptance bills, joint liability guarantee	517.13	Until 13 June 2022
			Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	298.43	Until 17 March 2022
			Zuhai 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	510.45	Until 23 June 2022
			Zuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	Opening bank acceptance bills and letters of credit, joint liability guarantee	2,603.56	Until 31 July 2022
			Zuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	Opening bank acceptance bills, joint liability guarantee	1,064.00	Until 17 June 2022
			Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	Opening bank acceptance bills, joint liability guarantee	402.30	Until 10 June 2022
Zuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	China CITIC Bank (中信銀行)	4,308.23	Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	4,279.55	Until 17 June 2022

XV. 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.

(2) Information on illegal external guarantees

Applicable Not applicable

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

XV. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(continued)***3. Entrusted Cash Assets Management****Entrusted wealth management**

Applicable Not applicable

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

Entrusted loans

Applicable Not applicable

During the Year, the Company had no entrusted loans.

4. Other Material Contracts

Applicable Not applicable

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

5. Other Material Transactions

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

XVI. SIGNIFICANT EVENTS OF SUBSIDIARIES OF THE COMPANY

Applicable Not applicable

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

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

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

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

Launch of futures hedging activities by controlling subsidiaries

On 7 May 2021, 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, might continuously carry out commodity futures hedging activities (the "Futures Hedging Activities"). The total deposit planned to be invested in the Futures Hedging Activities shall not exceed RMB20.00 million. The subsidiaries of the Company shall carry out the Futures Hedging Activities in a hedging principle of avoiding the risk of fluctuation in raw material price and stabilizing purchase costs, and no speculative transaction is allowed.

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

XVII. PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

Applicable Not applicable

XVIII. OTHER SIGNIFICANT EVENTS

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

I. CHANGES IN SHARES

1. Changes in Shares

As at 31 December 2021, the share capital structure of the Company was as follows:

Unit: Share(s)

	Before the current change		Increase/Decrease (+,-) due to the current change			After the current change	
	Number	Percentage	Issuance of new shares	Others	Subtotal	Number	Percentage
I. Shares subject to selling restrictions	19,659,043	2.08%	202,056		202,056	19,861,099	2.12%
1. Shares held by State Government							
2. Shares held by State-owned entities	17,306,329	1.83%				17,306,329	1.85%
3. Shares held by other domestic holders	2,322,294	0.25%	179,241		179,241	2,501,535	0.27%
Including: Shares held by domestic entities							
Shares held by domestic natural persons	2,322,294	0.25%	179,241		179,241	2,501,535	0.27%
4. Shares held by foreign holders	30,420	0.003%	22,815		22,815	53,235	0.01%
Including: Shares held by foreign entities							
Shares held by foreign natural persons	30,420	0.003%	22,815		22,815	53,235	0.01%
II. Shares not subject to selling restrictions	925,176,353	97.92%	5,550,077	-12,722,408	-7,172,331	918,004,022	97.88%
1. Ordinary shares denominated in RMB	605,312,136	64.07%	5,550,077	-6,093,808	-543,731	604,768,405	64.48%
2. Domestically listed foreign shares							
3. Overseas listed foreign shares	319,864,217	33.85%		-6,628,600	-6,628,600	313,235,617	33.40%
4. Others							
III. Total number of shares	944,835,396	100.00%	5,752,133	-12,722,408	-6,970,275	937,865,121	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 second exercise period and the third exercise period, and the reserved grant thereof was under the first exercise period and the second exercise period, a total of 5,752,133 share options were exercised by the incentive participants (including the Directors and senior management of the Company) during the Year and the total number of shares of the Company increased by 5,752,133 shares accordingly. Among which, a total of 269,410 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 202,056 shares, while the total number of shares not subject to selling restrictions increased by 5,550,077 shares.

I. CHANGES IN SHARES *(continued)***1. Changes in Shares** *(continued)***Approval of changes in shares**

Applicable Not applicable

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 it was 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.

On 10 November 2021, the Resolution on Fulfillment of Exercise Conditions for the Third Exercise Period of the First Grant under the 2018 Share Options Incentive Scheme of the Company and the Resolution on Fulfillment of Exercise Conditions for the Second Exercise Period of the Reserved Grant under the 2018 Share Options Incentive Scheme of the Company were considered and approved at the twenty-fifth meeting of the tenth session of the Board, which resolved that the exercise conditions for the third exercise period of the first grant under the 2018 Share Options Incentive Scheme of the Company had been achieved, and agreed that the 797 incentive participants who had fulfilled the exercise conditions might exercise their 5,297,236 share options in the third exercise period at the exercise price of RMB36.16 per A share. The exercise conditions for the second exercise period of the reserved grant under the 2018 Share Options Incentive Scheme of the Company had been achieved, and it was agreed that the 139 incentive participants who had fulfilled the exercise conditions might exercise their 977,900 share options in the second exercise period at the exercise price of RMB28.87 per A share.

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

Transfer of changes in Shares

Applicable Not applicable

Impact of changes in shares on the financial indicators of the latest year and the latest period, such as basic and diluted earnings per share, net asset value per share attributable to the ordinary Shareholders of the Company

Applicable Not applicable

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

Applicable Not applicable

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)	530,812	–	19,537	550,349	Locked shares held by the senior management	N/A
Xu Guoxiang (徐國祥)	530,812	–	57,037	587,849	Locked shares held by the senior management	N/A
Tang Yangang (唐陽剛)	258,722	–	–	258,722	Locked shares held by the senior management	N/A
Yang Daihong (楊代宏)	351,734	–	–	351,734	Locked shares held by the senior management	N/A
Xu Peng (徐朋)	30,420	–	22,815	53,235	Locked shares held by the senior management	N/A
Si Yanxia (司燕霞)	257,687	–	45,630	303,317	Locked shares held by the senior management	N/A
Zhou Peng (周鵬)	165,483	–	30,420	195,903	Locked shares held by the senior management	N/A
Huang Yuxuan (黃瑜璇)	74,871	–	26,617	101,488	Locked shares held by the senior management	N/A
Yang Liang (楊亮)	152,173	–	–	152,173	Locked shares held by the senior management	N/A
Total	19,659,043	–	202,056	19,861,099	–	–

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

3. Sufficient Public Float

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

II. ISSUE AND LISTING OF SECURITIES

1. Issue of securities (excluding preferred shares) during the Year

Applicable Not applicable

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

Applicable Not applicable

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

3. Existing Staff Shares

Applicable Not applicable

III. SHAREHOLDERS AND ULTIMATE BENEFICIAL OWNER

1. Number and Shareholdings of Shareholders of the Company

Total number of ordinary Shareholders as at the End of the Reporting Period	63,214, including 63,190 A Shareholders and 24 H Shareholders	Total number of ordinary Shareholders as at the end of the month prior to the disclosure date of the annual report	62,592, including 62,568 A Shareholders and 24 H Shareholders	Total number of preferential shareholders with voting rights resumed at the End of the Reporting Period (if any)	0	Total number of preferential Shareholders with voting rights resumed as at the end of the month prior to the disclosure date of the annual report (if any)	0
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Shareholders holding more than 5% shares or shareholdings of the top 10 shareholders

Name of Shareholder (full name)	Nature of Shareholder	Class of Shares	Shareholding percentage	Number of 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
HKSCC Nominees Limited ^(Note 2)	Foreign entity	H Share	33.37%	313,008,317	-6,730,500	-	313,008,317	-	-
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	23.60%	221,376,789	-	-	221,376,789	-	-
Hong Kong Securities Clearing Company Limited	Foreign entity	A Share	3.91%	36,642,817	+9,600,934	-	36,642,817	-	-
Guangzhou Begol Trading Holdings Limited (廣州市保科力貿易公司)	State owned entity	A Share	1.85%	17,306,329	-	17,306,329	-	Pledged and locked up	17,306,329
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Domestic non-state owned entity	A Share	1.79%	16,830,835	-	-	16,830,835	-	-
Macao Monetary Authority – Internal Funds (澳門金融管理局 – 自有資金)	Foreign entity	A Share	0.70%	6,592,727	+41,000	-	6,592,727	-	-
Shanghai Lingren Private Equity Fund Management Partnership (Limited Partnership) - Lingren Excellence Evergreen Phase II Private Equity Securities Investment Fund (上海瓊仁私募基金管理合夥企業(有限合夥) – 瓊仁卓越長青二期私募證券投資基金)	Others	A Share	0.54%	5,094,949	+5,094,949	-	5,094,949	-	-
Norges Bank – Internal Funds (挪威中央銀行 – 自有資金)	Foreign entity	A Share	0.51%	4,749,318	+4,749,318	-	4,749,318	-	-
CITIC Securities Co., Ltd. - Social Security Fund 1106 Portfolio (中信證券股份有限公司 – 社保基金 1106 組合)	Others	A Share	0.46%	4,322,075	+4,322,075	-	4,322,075	-	-
CITIC Securities – China CITIC Bank – CITIC Securities Excellent Growth Two-Year Hybrid Collective Asset Management Plan (中信證券 – 中信銀行 – 中信證券卓越成長兩年持有期混合型集合資產管理計劃)	Others	A Share	0.45%	4,255,709	+4,255,709	-	4,255,709	-	-

III. SHAREHOLDERS AND ULTIMATE BENEFICIAL OWNER *(continued)*1. Number and Shareholdings of Shareholders of the Company *(continued)*

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

Name of Shareholder (full name)	Nature of Shareholder	Class of Shares	Shareholding percentage	Number of Shares held at the End of the Period <i>(shares)</i>	Change during the Reporting Period <i>(shares)</i>	Number of Shares with selling restriction <i>(shares)</i>	Number of Shares without selling restrictions <i>(shares)</i>	Pledge or lock-up Share status	Number
Description of strategic investors or general legal persons who became Top 10 Shareholders through placement of new shares (if any)	Not applicable								
Description of related relationship or acting-in-concert relationship of the above Shareholders	(1) On 2 January 2004, 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》).								
Explanation on above shareholders' delegation of/being entrusted with and waiver of voting rights	None								
Special explanation on the existence of repurchase special accounts among the top ten Shareholders (if any)	The shares held by HKSCC Nominees Limited as nominee included 3,404,400 H Shares of the Company which were repurchased but not yet cancelled.								

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

1. Number and Shareholdings of Shareholders of the Company *(continued)*

Shareholdings of top 10 ordinary shareholders not subject to selling restrictions

Name of Shareholder	Number of shares not subject to selling restrictions at the End of the Year <i>(shares)</i>	Class	Shares	
				Number <i>(shares)</i>
HKSCC Nominees Limited	313,008,317	Overseas listed foreign shares		313,008,317
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	36,642,817	Ordinary shares denominated in RMB		36,642,817
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
Macao Monetary Authority – Internal Funds (澳門金融管理局 – 自有資金)	6,592,727	Ordinary shares denominated in RMB		6,592,727
Shanghai Lingren Private Equity Fund Management Partnership (Limited Partnership) - Lingren Excellence Evergreen Phase II Private Equity Securities Investment Fund (上海領仁私募基金管理合夥企業(有限合夥) – 領仁卓越長青二期私募證券投資基金)	5,094,949	Ordinary shares denominated in RMB		5,094,949
Norges Bank – Internal Funds (挪威中央銀行 – 自有資金)	4,749,318	Ordinary shares denominated in RMB		4,749,318
CITIC Securities Co., Ltd. - Social Security Fund 1106 Portfolio (中信證券股份有限公司 – 社保基金 1106 組合)	4,322,075	Ordinary shares denominated in RMB		4,322,075
CITIC Securities – China CITIC Bank – CITIC Securities Excellent Growth Two-Year Hybrid Collective Asset Management Plan (中信證券 – 中信銀行 – 中信證券卓越成長兩年持有期混合型集合資產管理計劃)	4,255,709	Ordinary shares denominated in RMB		4,255,709
Abu Dhabi Investment Authority (阿布達比投資局)	3,787,831	Ordinary shares denominated in RMB		3,787,831
Description of related relationship or acting-in-concert relationship among the top 10 Shareholders not subject to selling restrictions themselves and between the top 10 Shareholders not subject to selling restrictions and the top 10 Shareholders			(1) On 2 January 2004, Joincare and Begol entered into a Share Transfer and Custody Agreement and a Share Pledge Agreement, pursuant to which the 6,059,428 shares of the Company held by Begol as domestic entity (the number of shares was increased to 7,877,256 shares after the Company's implementation of 2014 Equity Distribution, the number of shares was increased to 10,240,432 shares after the Company's implementation of 2016 Equity Distribution, the number of shares was increased to 13,312,561 shares after the Company's implementation of 2017 Equity Distribution and the number of shares was increased to 17,306,329 shares after the Company's implementation of 2018 Equity Distribution) were directly transferred, entrusted and pledged to Joincare; (2) Haibin Pharma was a subsidiary directly and indirectly owned by Joincare as to 100% equity interest; (3) the Company was not aware whether the other Shareholders mentioned above are related parties or persons acting-in-concert as defined in the Administrative Measures for the Takeover of Listed Companies (《上市公司收購管理辦法》).	
Description of the top 10 ordinary Shareholders involved in the margin financing and securities lending business (if any)			Not Applicable	

Notes:

- The shareholdings of the above top 10 Shareholders were based on the register of Shareholders as at 31 December 2021, 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.

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

1. Number and Shareholdings of Shareholders of the Company *(continued)*

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

Yes No

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

2. Controlling Shareholder of the Company

Name of Controlling Shareholder	Legal representative/ responsible person	Date of establishment	Unified social credit code	Registered capital	Principal activities
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Zhu Baoguo (朱保國)	18 December 1992	91440300618874367T	RMB1,907,727,908	General operating items: entrusted manufacturing of drugs; technical services, technology development, technology consulting, technology exchange, technology transfer, technology promotion. (Except for projects subject to approval according to laws, business activities can be conducted independently with the business license in accordance with the laws). Permitted operating items: R&D, wholesale, import and export and related supplementary businesses (exclusive of R&D of state protected resources for Chinese medicinal materials, secret recipe of Chinese patent drugs) of Chinese patent drugs, chemical APIs, chemical drug preparation products, antibiotics APIs and their preparations (except the commodities not involved in the management of state-owned trade, and goods that are subject to quota, license management and other special regulations, applications should be processed in accordance with relevant national regulations); R&D of food, health food and cosmetics; sales of pre-packaged food (excluding frozen food), sales of special food (sales of health food, sales of special medical formula food); research & development and sales of class I and II medical devices. Production of class I medical devices; production of class II medical devices; production of class III medical devices; operation of class III medical devices. (For projects subject to approval according to laws, business activities can only be carried out after approval by relevant departments. Operations of specific businesses are subject to the approval documents or permits of the relevant authorities)
Controlling Shareholders' equity interests in other controlled and invested companies whose shares are listed domestic or overseas during the Reporting Period	Joincare (Stock Abbreviation: Joincare and Stock Code: 600380.SH) is listed on the Shanghai Stock Exchange and please see the full text of annual report for 2021 of Joincare as disclosed in the website of the Shanghai Stock Exchange (www.sse.com.cn) for more details about its operating results, financial position, cash flow and future development strategy.				

Change in controlling Shareholder during the Year

Applicable Not applicable

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

III. SHAREHOLDERS AND ULTIMATE BENEFICIAL OWNER *(continued)***3. Ultimate Beneficial Owner of the Company**

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

Change in the ultimate beneficial owner during the Year

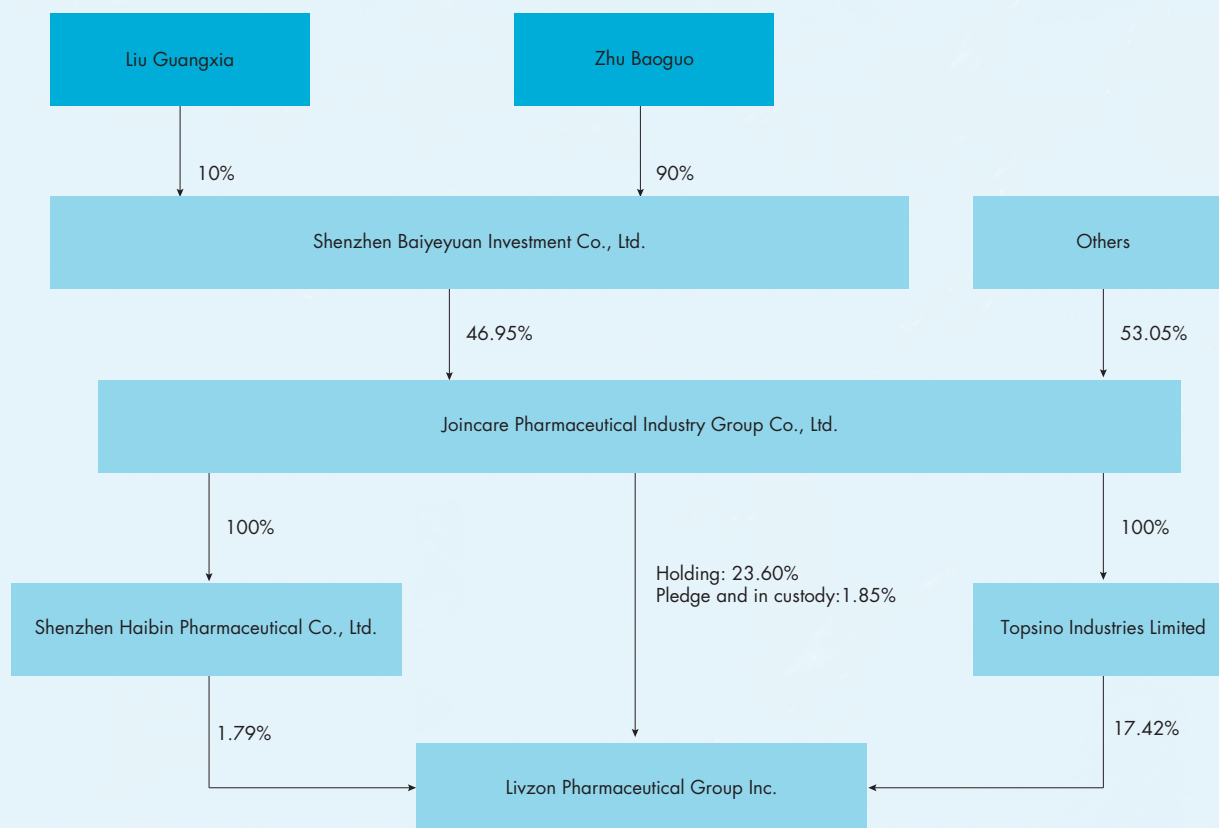
Applicable Not applicable

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

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. During the period from 1 January 2021 to 31 December 2021, a total of 10,082,440 options were exercised by the incentive participants of the 2018 Share Options Incentive Scheme of Joicare. Joicare repurchased an aggregate of 55,135,296 shares by means of centralized bidding transactions, and the cancellation was completed. After the aforesaid changes, as at the end of the Reporting Period, Baiyeyuan holds 895,653,653 shares of Joicare, with the shareholding percentage increased from 45.87% to 46.95%.

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

6. The cumulative number of shares pledged by the Company's controlling shareholder or the largest shareholder and its parties acting in concert accounting for 80% of their shareholdings in the Company

Applicable Not applicable

IV. PARTICULARS OF THE IMPLEMENTATION OF SHARE REPURCHASE DURING THE REPORTING PERIOD**Progress of the implementation of share repurchase**

Applicable Not applicable

Date of disclosure of the plan	Nature of shares to be repurchased	Number of shares to be repurchased	Percentage to the total share capital	Proposed repurchase amount	Proposed repurchase period	Purpose of the repurchase	Number of shares repurchased (<i>shares</i>)	Percentage of the number of shares repurchased to the underlying shares involved in the equity incentive scheme (if any)
6 March 2020	A Share	5,555,556 shares to 11,111,111 shares	0.59% to 1.19%	RMB250,000,000 to RMB500,000,000	26 March 2020 to 25 December 2020	Cancellation	6,093,808	N/A
1 December 2020	H Share	The maximum amount shall not exceed 10% of the total number of issued and H shares not repurchased, and shall satisfy a public shareholding of H shares of not less than 15% of the total share capital upon completion of an H shares repurchase by the Company.		Not applicable	23 December 2020 to 20 May 2021	Cancellation	6,628,600	N/A
16 April 2021	H Share			Not applicable	20 May 2021 to present	Cancellation	3,404,400	N/A

Progress of the implementation of sale of repurchased share through centralized price bidding

Applicable Not applicable

V. AS AT 31 DECEMBER 2021, THE INTERESTS OR SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (WITHIN THE MEANING OF PART XV OF SFO) AS RECORDED IN THE REGISTER REQUIRED TO BE KEPT UNDER SECTION 352 OF THE SFO, OR AS OTHERWISE NOTIFIED TO THE COMPANY AND THE HONG KONG STOCK EXCHANGE PURSUANT TO THE MODEL CODE, WERE AS FOLLOWS:

Interest in shares/underlying shares of the Company

Name of director	Capacity	Number of shares/ underlying shares interested (Long position)	As a percentage of the specific class of issued shares of the Company	As a percentage of the total issued shares of the Company
Mr. Zhu Baoguo (朱保國)	Interest of controlled corporation	255,513,953 A Shares ^{(1) (2)}	40.91%	27.24%
		163,364,672 H Shares ^{(1) (3)}	52.15%	17.42%
Mr. Tao Desheng (陶德勝)	Beneficial owner	809,850 A Shares ^{(4) (21)}	0.16%	0.11%
	Interest of spouse	177,226 A Shares ^{(5) (6) (21)}		
Mr. Xu Guoxiang (徐國祥)	Beneficial owner	987,076 A Shares		
Mr. Xu Guoxiang (徐國祥)	Beneficial owner	859,850 A Shares ^{(7) (21)}	0.14%	0.09%
Mr. Tang Yanggang (唐陽剛)	Beneficial owner	405,803 A Shares ^{(8) (21)}	0.06%	0.04%

V. AS AT 31 DECEMBER 2021, THE INTERESTS OR SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (WITHIN THE MEANING OF PART XV OF SFO) AS RECORDED IN THE REGISTER REQUIRED TO BE KEPT UNDER SECTION 352 OF THE SFO, OR AS OTHERWISE NOTIFIED TO THE COMPANY AND THE HONG KONG STOCK EXCHANGE PURSUANT TO THE MODEL CODE, WERE AS FOLLOWS: (continued)

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

Name of director	Name of associated corporation	Capacity	Equity interest/ number of shares (Long position)	As a percentage of the equity interest of associated corporation
Mr. Zhu Baoguo (朱保國)	Baiyeyuan	Beneficial owner	72,000,000 (RMB) ⁽¹⁾	90.00% ⁽¹⁾
	Joincare	Interest of controlled corporations	895,653,653 shares ⁽¹⁾⁽⁹⁾	46.95% ⁽¹⁰⁾
	LivzonBio ⁽¹¹⁾	Interest of controlled corporations	294,000,000 (RMB) ⁽¹⁾⁽¹²⁾	33.07% ⁽¹¹⁾
	Livzon HK ⁽¹¹⁾	Interest of controlled corporations	4,000 shares ⁽¹⁾⁽¹³⁾	100.00% ⁽¹¹⁾
	Livzon MAB ⁽¹¹⁾	Interest of controlled corporations	1,453,330,000 (RMB) ⁽¹⁾⁽¹⁴⁾	100.00% ⁽¹¹⁾
Mr. Tang Yanggang (唐陽剛)	Xinbeijiang Pharmaceutical ⁽¹⁵⁾	Interest of controlled corporations	20,238,780 shares ⁽¹⁵⁾	8.44%
	Livzon Diagnostics ⁽¹⁶⁾	Interest of controlled corporations	36,099,971 shares ⁽¹⁶⁾	9.03%
Mr. Qiu Qingfeng (邱慶豐)	Joincare	Beneficial owner	717,409 shares ⁽¹⁸⁾	0.04%
Mr. Xu Guoxiang (徐國祥)	Livzon Diagnostics ⁽¹⁷⁾	Others	2,153,399 shares ⁽¹⁷⁾	0.54%
Mr. Yu Xiong (俞雄)	Joincare	Beneficial owner	800,000 shares ⁽¹⁹⁾	0.04%
		Interest of spouse	3,720 shares ⁽²⁰⁾	
			803,720 shares	

V. AS AT 31 DECEMBER 2021, THE INTERESTS OR SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (WITHIN THE MEANING OF PART XV OF SFO) AS RECORDED IN THE REGISTER REQUIRED TO BE KEPT UNDER SECTION 352 OF THE SFO, OR AS OTHERWISE NOTIFIED TO THE COMPANY AND THE HONG KONG STOCK EXCHANGE PURSUANT TO THE MODEL CODE, WERE AS FOLLOWS: (continued)

Notes:

- (1) Joincare was 46.95% held by Baiyeyuan which was in turn 90% held by Mr. Zhu Baoguo. Mr. Zhu Baoguo was deemed to be interested in the shares of the Company and the equity interest of its associated corporations in which Joincare was or was deemed to be interested by virtue of the SFO.
- (2) Among these shares, 238,683,118 shares (in which 17,306,329 shares were directly transferred, entrusted and pledged by Begol in favor of Joincare in accordance with the Share Transfer, Custody and Pledge Agreement entered into among three parties, namely Begol, Joincare and Zhuhai Lishi Investment Co., Ltd. (珠海市麗士投資有限公司), on 2 January 2004, and the Share Transfer and Custody Agreement and the Share Pledge Agreement entered into between Begol and Joincare) and 16,830,835 shares were held directly by Joincare and its wholly-owned subsidiary, Haibin Pharma, respectively.
- (3) These shares were held directly by Topsino, a wholly-owned subsidiary of Joincare.
- (4) These shares included 76,050 share options, which were able to subscribe for 76,050 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.
- (5) These shares included 30,420 share options, which were able to subscribe for 30,420 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.
- (6) As these shares and underlying shares were held directly by Ms. Hou Xuemei, the spouse of Mr. Tao Desheng, Mr. Tao Desheng was deemed to be interested in these shares and underlying shares.
- (7) These shares included 76,050 share options, which were able to subscribe for 76,050 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.
- (8) These shares included 60,840 share options, which were able to subscribe for 60,840 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.
- (9) Baiyeyuan held 895,653,653 shares of Joincare.
- (10) The total issued share capital of Joincare was 1,907,727,908 shares. Therefore, Baiyeyuan held 46.95% equity interest in Joincare.
- (11) LivzonBio was directly held as to 33.07% by Joincare. Livzon HK and Livzon MAB were directly held as to 100% by LivzonBio.
- (12) These equity interests were held by Joincare.
- (13) These shares were held by LivzonBio.
- (14) These equity interests were held by LivzonBio.

V. AS AT 31 DECEMBER 2021, THE INTERESTS OR SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (WITHIN THE MEANING OF PART XV OF SFO) AS RECORDED IN THE REGISTER REQUIRED TO BE KEPT UNDER SECTION 352 OF THE SFO, OR AS OTHERWISE NOTIFIED TO THE COMPANY AND THE HONG KONG STOCK EXCHANGE PURSUANT TO THE MODEL CODE, WERE AS FOLLOWS: (continued)

Notes: (continued)

- (15) Xinbeijiang Pharmaceutical was directly held as to 87.14% by the Company, and directly held as to 8.44% (i.e. 20,238,780 shares) by Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥)), which was in turn directly held as to 45.50% by Mr. Tang Yanggang.
- (16) Livzon Diagnostics was directly held as to 39.425% by the Company, and as to 9.025% (i.e. 36,099,971 shares) by Zhuhai Liying Investment Management Partnership (Limited Partnership) (珠海麗英投資管理合夥企業(有限合夥)) (“Liying”), and Mr. Tang Yanggang was the general partner of Liying who directly held 19.9234% equity interest in Liying and had sole discretion to decide all matters of Liying. On 9 September 2021, Livzon Diagnostics issued new shares by way of conversion into share capital to all of its shareholders in proportion to their shareholdings pursuant to its 2020 profit distribution plan. After the conversion, the share capital of Livzon Diagnostics increased from 92,876,771 shares to 400,000,000 shares. The number of shares of Livzon Diagnostics held by Liying changed from 8,382,100 shares to 36,099,971 shares, and the shareholding percentage remained unchanged.
- (17) Mr. Xu Guoxiang directly held 5.9651% equity interest in Liying, and therefore Livzon Diagnostics was indirectly held as to 0.54% by Mr. Xu Guoxiang. On 9 September 2021, the share capital of Livzon Diagnostics increased from 92,876,771 shares to 400,000,000 shares. Therefore, the number of shares of Livzon Diagnostics indirectly held by Mr. Xu Guoxiang changed from 500,000 shares to 2,153,399 shares.
- (18) These shares included 180,000 share options, which were able to subscribe for 180,000 A shares of Joicare pursuant to the 2018 share options incentive scheme of Joicare.
- (19) These shares included 140,000 share options, which were able to subscribe for 140,000 A shares of Joicare pursuant to the 2018 share options incentive scheme of Joicare.
- (20) As these shares were held directly by Ms. Qian Lingyun (錢凌雲女士), the spouse of Mr. Yu Xiong, hence Mr. Yu Xiong was deemed to be interested in these shares.
- (21) For details of the aforesaid 2018 Share Options Incentive Scheme, please refer to the relevant information of “XXI. SHARE OPTIONS INCENTIVE SCHEMES” in Section III of the Report.

VI. AS AT 31 DECEMBER 2021, 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	40.91%	27.24%
	Interest of controlled corporations	163,364,672 H Shares ⁽²⁾	Long position	52.15%	17.42%
Ms. Liu Guangxia (劉廣霞)	Interest of spouse	255,513,953 A Shares ⁽³⁾	Long position	40.91%	27.24%
		163,364,672 H Shares ⁽³⁾	Long position	52.15%	17.42%
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		40.91%	27.24%
	Interest of controlled corporations	163,364,672 H Shares ⁽²⁾	Long position	52.15%	17.42%
Topsino	Beneficial owner	163,364,672 H Shares	Long position	52.15%	17.42%

Notes:

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

Applicable Not applicable

The Company had no preferred shares during the Year.

SECTION IX. INFORMATION ON BONDS

Applicable Not applicable

The Company had no corporate bonds during the Year.



Grant Thornton
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AUDIT REPORT

GTCSZ (2022) No. 442A004890

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 2021, 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 2021 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 2021 and the consolidated operation results and operation results and the consolidated cash flows and cash flows of the Company for the year 2021.

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 2021, the Company recorded revenue of RMB11,927.9816 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 related 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 account receivables.
- (6) Taking into account the market statistics from third-party consulting companies, 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 2021, accounts receivables and provision for bad debt of the Company in the consolidated and company balance sheets amounted to RMB1,998.1622 million and RMB46.2641 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 2021 Annual Report of the Company but excluding the financial statements and our audit 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 audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

In conducting an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (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 audit report to the related disclosures in these financial statements or, if such disclosures are inadequate, to qualify our opinion. Our conclusions are based on the information obtained up to the date of our audit report. However, future events or conditions may cause the 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 audit report unless such matters are prohibited by laws or regulations to be publicly disclosed, or in extremely rare circumstances, we have determined that a matter should not be discussed in our report on the ground that the adverse consequences of doing so would reasonably be expected to outweigh the public benefits of such discussion.

Grant Thornton (Special General Partnership)

Certified Public Accountants: Li Encheng (李恩成)
(Project Partner)

Certified Public Accountants: Zhang Fang (張芳)

Beijing, China
28 March 2022

CONSOLIDATED AND COMPANY BALANCE SHEET

259

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	9,146,373,455.01	7,577,721,240.98	9,953,747,563.47	8,294,328,499.23
Financial assets held for trading	V.2	182,773,354.56	13,250,402.40	25,984,877.13	8,754,494.72
Bills receivables	V.3	1,342,029,380.44	892,715,893.48	1,148,944,595.17	688,384,493.33
Accounts receivables	V.4	1,951,898,111.20	905,682,483.41	1,743,148,037.38	857,024,809.25
Receivables financing					
Prepayments	V.5	281,083,347.36	17,548,790.19	142,174,129.24	13,438,567.51
Other receivables	V.6	47,768,970.54	1,198,183,164.60	74,284,405.28	1,370,317,540.56
Of which: Interest receivable					
Dividends receivable			340,100,088.07		434,213,482.03
Inventories	V.7	1,663,227,968.17	495,944,039.54	1,487,796,389.98	743,377,427.72
Contract assets					
Held-for-sale assets					
Non-current assets due within one year	V.8	317,381.23		11,414,376.07	10,967,767.26
Other current assets	V.9	57,624,626.16	5,465,630.24	39,862,609.49	8,628,913.28
Total current assets		14,673,096,594.67	11,106,511,644.84	14,627,356,983.21	11,995,222,512.86
Non-current assets:					
Debt investments					
Other debt investments					
Long-term receivables	V.10	266,904.13		584,284.36	
Long-term equity investments	V.11	1,064,968,250.00	3,785,447,205.34	245,115,479.10	2,138,934,119.37
Other equity instrument investments	V.12	629,914,544.37	176,366,200.00	742,974,792.15	177,229,648.84
Other non-current financial assets					
Investment properties					
Fixed assets	V.13	3,669,728,093.97	92,968,672.60	3,303,077,566.22	97,140,873.58
Construction in progress	V.14	554,575,587.48		385,700,738.39	
Productive biological assets					
Oil and gas assets					
Right-of-use assets	V.15	14,588,322.60	870,120.32	18,311,378.07	311,775.51
Intangible assets	V.16	260,279,167.34	29,857,473.53	236,430,749.15	32,690,639.64
Development expenditure	V.17	574,499,574.42	13,244,598.15	251,389,209.57	2,826,633.88
Goodwill	V.18	103,040,497.85		103,040,497.85	
Long-term deferred expenses	V.19	129,910,521.60	6,458,038.53	122,101,772.58	5,669,100.62
Deferred income tax assets	V.20	252,694,687.27	94,308,174.28	238,226,789.25	59,140,301.69
Other non-current assets	V.21	444,352,845.12	78,030,099.24	316,505,551.82	71,540,318.35
Total non-current assets		7,698,818,996.15	4,277,550,581.99	5,963,458,808.51	2,585,483,411.48
Total assets		22,371,915,590.82	15,384,062,226.83	20,590,815,791.72	14,580,705,924.34

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	2,043,048,023.71	440,818,819.44	1,550,942,804.06	800,000,000.00
Financial liabilities held for trading	V.23	143,302.24		212.07	
Bills payables	V.24	1,026,619,858.93	834,184,045.06	918,007,030.57	559,442,600.00
Accounts payables	V.25	790,679,701.29	494,765,644.69	706,786,957.67	819,355,678.26
Receipts in advance					
Contract liabilities	V.26	167,796,768.82	91,125,189.51	104,445,427.26	17,320,724.48
Employee benefits payables	V.27	296,784,492.89	112,547,780.95	363,416,250.83	154,616,789.30
Tax and surcharge payables	V.28	160,385,251.99	34,312,525.72	248,815,907.94	8,558,343.08
Other payables	V.29	2,416,840,968.10	5,355,253,454.58	2,175,668,243.15	4,581,163,106.97
Of which: Interest payable					
Dividends payable		6,951,984.46	20,174.46	8,418,590.50	20,174.46
Held-for-sale liabilities					
Non-current liabilities due within one year	V.30	9,284,335.86	763,367.86	8,539,077.05	103,840.00
Other current liabilities	V.31	13,485,363.41	9,440,130.86	6,267,034.79	2,238,737.90
Total current liabilities		6,925,068,067.24	7,373,210,958.67	6,082,888,945.39	6,942,799,819.99
Non-current liabilities:					
Long-term loans	V.32	636,780,252.78	636,780,252.78	360,324,027.48	360,324,027.48
Notes payables					
Leasing liabilities	V.33	5,274,240.80	130,316.74	10,099,025.42	212,080.58
Long-term payables					
Long-term employee benefits payables					
Provisions					
Deferred gains	V.34	258,882,992.46	70,110,800.00	276,141,923.64	68,810,800.00
Deferred income tax liabilities	V.20	156,885,243.92	27,959,990.31	143,279,875.31	27,109,981.79
Other non-current liabilities	V.35	78,000,000.00		78,000,000.00	
Total non-current liabilities		1,135,822,729.96	734,981,359.83	867,844,851.85	456,456,889.85
Total liabilities		8,060,890,797.20	8,108,192,318.50	6,950,733,797.24	7,399,256,709.84
Share capital	V.36	937,865,121.00	937,865,121.00	944,835,396.00	944,835,396.00
Other equity instruments					
Of which: Preferred shares					
Perpetual bonds					
Capital reserve	V.37	1,629,356,574.34	1,785,950,573.90	1,560,369,717.69	1,915,592,581.88
Less: Treasury shares	V.38	71,209,491.00	71,209,491.00	250,061,413.16	250,061,413.16
Other consolidated earnings	V.39	46,548,997.70	95,689,368.89	169,983,800.56	81,244,625.72
Special reserve					
Surplus reserve	V.40	744,801,154.15	539,838,100.57	744,801,154.15	539,838,100.57
Undistributed profits	V.41	9,716,401,275.28	3,987,736,234.97	8,937,313,245.63	3,949,999,923.49
Total equity attributable to shareholders of the parent company		13,003,763,631.47	7,275,869,908.33	12,107,241,900.87	7,181,449,214.50
Minority interests		1,307,261,162.15		1,532,840,093.61	
Total shareholders' (or owners') equity		14,311,024,793.62	7,275,869,908.33	13,640,081,994.48	7,181,449,214.50
Total liabilities and shareholders' (or owners') equity		22,371,915,590.82	15,384,062,226.83	20,590,815,791.72	14,580,705,924.34

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	12,063,863,272.98	6,278,308,877.95	10,520,409,842.01	4,836,402,188.28
Less: Operating costs	V.42	4,253,087,484.45	4,262,867,079.53	3,673,710,773.68	3,252,777,509.57
Tax and surcharge	V.43	137,429,076.05	35,403,495.31	123,623,151.40	20,034,561.38
Selling expenses	V.44	3,883,874,503.06	1,368,704,917.93	3,075,868,822.02	1,350,758,733.90
Administrative expenses	V.45	664,181,161.91	264,979,486.58	664,290,132.84	242,999,716.64
R&D expenses	V.46	1,145,702,329.81	367,692,503.54	884,095,367.52	272,004,182.78
Finance expenses	V.47	-70,040,758.57	-71,270,539.63	-103,638,803.65	-129,064,696.02
Of which: Interest expenses		83,997,234.61	103,263,316.34	25,313,177.20	71,521,415.19
Interest income		162,189,969.03	173,173,456.46	175,564,199.33	202,004,096.90
Add: Other income	V.48	208,042,576.09	116,270,100.55	216,183,014.18	117,931,240.95
Investment income	V.49	89,624,998.41	1,011,372,026.17	147,628,336.17	1,284,961,188.46
("-" represents losses)					
Of which: Income from investments		39,063,937.38	38,189,158.98	1,907,349.46	-13,896,696.16
in associates and					
joint ventures					
Derecognition of income from					
financial assets at amortized					
cost ("-" represents losses)					
Gains from hedging net exposure					
("-" represents losses)					
Gains from changes in fair value	V.50	-23,027,244.25	4,495,907.68	8,806,719.32	718,554.16
("-" represents losses)					
Credit impairment loss	V.51	-7,537,023.14	-910,244.57	-1,279,991.91	-10,450,465.51
("-" represents losses)					
Asset impairment loss	V.52	-56,777,500.66	-14,708,173.83	-72,276,909.36	-7,730,158.67
("-" represents losses)					
Gains from disposal of assets	V.53	7,034,712.12	67,317.96	-1,072,396.76	29,637.61
("-" represents losses)					
II. Operating profit		2,266,989,994.84	1,166,518,868.65	2,500,449,169.84	1,212,352,177.03
("-" represents losses)					
Add: Non-operating income	V.54	6,885,107.15	33,906.59	8,192,217.16	10,066.53
Less: Non-operating expenditure	V.55	28,186,272.24	19,307,149.64	19,205,699.23	12,801,978.15
III. Total profit		2,245,688,829.75	1,147,245,625.60	2,489,435,687.77	1,199,560,265.41
("-" represents total losses)					
Less: Income tax expenses	V.56	293,587,660.82	-24,717,420.89	358,108,981.27	-16,669,843.23
IV. Net profit		1,952,101,168.93	1,171,963,046.49	2,131,326,706.50	1,216,230,108.64
("-" represents net losses)					
(I) Classified by continuing operations:					
Of which: Net profit from continuing		1,952,101,168.93	1,171,963,046.49	2,131,326,706.50	1,216,230,108.64
operations ("-" represents					
net losses)					
Net profit from discontinued					
operations ("-" represents					
net losses)					
(II) Classified by attribution to ownership:					
Of which: Net profit attributable to		1,775,683,251.01	1,171,963,046.49	1,714,910,390.36	1,216,230,108.64
shareholders of the parent					
company ("-" represents					
net losses)					
Profit and loss attributable		176,417,917.92		416,416,316.14	
to minority interests ("-"					
represents net losses)					

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		-117,203,117.54	14,444,743.17	141,385,462.11	49,769,716.39
Other comprehensive net income after taxation attributable to shareholders of the parent company		-123,434,802.86	14,444,743.17	143,579,828.91	49,769,716.39
(I) Other comprehensive income not to be reclassified into profit or loss		-98,393,505.09	14,475,011.44	186,438,515.80	49,810,034.00
1. Changes in remeasurement of defined benefit plans					
2. Other comprehensive income not to be reclassified into profit or loss under equity method		14,820,196.44	14,820,196.44		
3. Changes in fair value of other equity instrument investments		-113,213,701.53	-345,185.00	186,438,515.80	49,810,034.00
4. Changes in fair value of enterprise's own credit risk					
5. Others					
(II) Other comprehensive income to be reclassified into profit or loss		-25,041,297.77	-30,268.27	-42,858,686.89	-40,317.61
1. Other comprehensive income to be reclassified into profit or loss under equity method		-30,268.27	-30,268.27	-40,317.61	-40,317.61
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		-25,011,029.50		-42,818,369.28	
7. Others					
Other comprehensive net income after taxation attributable to minority interests		6,231,685.32		-2,194,366.80	
VI. Total comprehensive income		1,834,898,051.39	1,186,407,789.66	2,272,712,168.61	1,265,999,825.03
Total comprehensive income attributable to shareholders of the parent company		1,652,248,448.15	1,186,407,789.66	1,858,490,219.27	1,265,999,825.03
Total comprehensive income attributable to minority interests		182,649,603.24		414,221,949.34	
VII. Earnings per share					
(I) Basic earnings per shares	V.57	1.90		1.83	
(II) Diluted earnings per share	V.57	1.90		1.83	

Chairman of the Board and Legal Representative:
Zhu Baoguo

Executive Director and President:
Tang Yanggang

Chief Financial Officer:
Si Yanxia

Head of Accounting Department:
Zhuang Jianying

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Year		Amount for the Previous Year	
		Consolidated	Company	Consolidated	Company
I. Cash flow from operating activities:					
Cash received from sale of goods and services rendered		12,518,435,597.15	6,878,621,180.26	10,586,210,839.13	4,909,761,296.33
Refund of taxes and levies		125,035,550.05		103,911,932.81	
Cash received relating to other operating activities	V.58	446,189,169.19	294,354,352.77	519,879,954.50	305,101,489.30
Subtotal of cash inflow from operating activities		13,089,660,316.39	7,172,975,533.03	11,210,002,726.44	5,214,862,785.63
Cash paid for purchase of goods and services rendered		3,133,904,122.93	4,566,238,044.94	2,741,476,711.15	2,926,429,409.30
Cash paid to and on behalf of employees		1,381,910,198.05	476,129,928.67	1,058,159,446.26	297,950,304.24
Payments for various taxes and levies		1,360,736,805.51	278,192,764.70	1,170,169,084.70	188,104,728.21
Cash paid relating to other operating activities	V.58	5,310,781,050.87	1,570,776,486.85	4,079,436,877.91	1,406,155,598.31
Subtotal of cash outflow from operating activities		11,187,332,177.36	6,891,337,225.16	9,049,242,120.02	4,818,640,040.06
Net cash flow from operating activities		1,902,328,139.03	281,638,307.87	2,160,760,606.42	396,222,745.57
II. Cash flow from investing activities:					
Cash received from disposal of investments		110,302,936.39	210,365,906.70	227,939,643.71	139,518,392.30
Cash received on investment income		98,381,922.55	1,111,050,061.15	45,342,426.88	1,339,051,756.62
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		9,087,580.53	3,097,339.07	5,114,538.05	314,150.00
Net cash received from disposal of subsidiaries and other operating units		3,311,220.53		5,339,063.95	15,000,000.00
Cash received relating to other investing activities	V.58	187,700.00		28,508,016.38	
Subtotal of cash inflow from investing activities		221,271,360.00	1,324,513,306.92	312,243,688.97	1,493,884,298.92
Cash payments for acquisition of fixed assets, intangible assets and other long-term assets		1,309,101,642.09	47,626,639.35	646,976,072.86	36,195,065.83
Cash payments for investments		786,000,000.00	1,720,950,649.54	129,187,468.09	301,792,110.00
Net cash paid for acquisition of subsidiaries and other operating units					
Cash paid relating to other investing activities	V.58	3,070,040.41	1,163,800.00	3,924,163.00	
Subtotal of cash outflow from investing activities		2,098,171,682.50	1,769,741,088.89	780,087,703.95	337,987,175.83
Net cash flow from investing activities		-1,876,900,322.50	-445,227,781.97	-467,844,014.98	1,155,897,123.09

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		798,267,306.73	202,557,825.73	357,264,512.67	352,264,512.67
Of which: Cash received by subsidiaries from investments of minority interests		595,709,481.00		5,000,000.00	
Cash received from borrowings		2,799,880,943.19	820,000,000.00	2,383,579,914.03	1,260,000,000.00
Cash received relating to other financing activities	V.58	1,269,151.85	778,960,622.14	2,778,643.64	1,642,905.48
Subtotal of cash inflow from financing activities		3,599,417,401.77	1,801,518,447.87	2,743,623,070.34	1,613,907,418.15
Cash paid on repayment of debts		2,033,581,286.53	903,400,000.00	1,829,811,030.60	1,250,100,000.00
Cash paid for distribution of dividends, profits or interests		1,501,347,886.26	1,228,636,101.56	1,181,793,042.82	1,089,293,506.59
Of which: Dividends and profits paid to minority interests by subsidiaries		243,976,580.03		81,760,934.22	
Cash paid relating to other financing activities	V.58	879,505,734.14	243,198,384.33	250,061,413.16	304,581,468.73
Subtotal of cash outflow from financing activities		4,414,434,906.93	2,375,234,485.89	3,261,665,486.58	2,643,974,975.32
Net cash flow from financing activities		-815,017,505.16	-573,716,038.02	-518,042,416.24	-1,030,067,557.17
IV. Effect of changes in foreign exchange rates on cash and cash equivalents		-37,150,333.33	1,052,826.26	-77,010,038.66	-1,032,304.81
V. Net increase in cash and cash equivalents		-826,740,021.96	-736,252,685.86	1,097,864,136.54	521,020,006.68
Add: Balance of cash and cash equivalents at the beginning of the period		9,952,049,990.08	8,293,938,909.86	8,854,185,853.54	7,772,918,903.18
VI. Cash and cash equivalents at the end of the period		9,125,309,968.12	7,557,686,224.00	9,952,049,990.08	8,293,938,909.86

Chairman of the Board and Legal Representative:
Zhu Baoguo

Executive Director and President:
Tang Yanggang

Chief Financial Officer:
Si Yanxia

Head of Accounting Department:
Zhuang Jianying

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

265

Unit: RMB

Prepared by: Livzon Pharmaceutical Group Inc.

Item	Amount for the Year												
	Shareholders' equity attributable to shareholders of the parent company						Other					Total shareholders' equity	
	Share capital	Preferred shares	Perpetual bonds	Other equity instruments	Capital reserve	Less: Treasury shares	Comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profit		Minority interests
I. Balance as at the End of the Previous Year	944,835,396.00				1,560,369,717.69	250,061,413.16	169,983,800.56	744,801,154.15			8,937,313,245.63	1,532,840,093.61	13,640,081,994.48
Add: Adjustment for changes in accounting policies													
Correction of accounting errors in prior period													
Consolidation of enterprises under common control													
Others													
II. Balance at the Beginning of the Year	944,835,396.00				1,560,369,717.69	250,061,413.16	169,983,800.56	744,801,154.15			8,937,313,245.63	1,532,840,093.61	13,640,081,994.48
III. Increase/decrease during the Year	-6,970,275.00				68,986,856.65	-178,851,922.16	-123,454,802.86				779,088,029.65	-225,578,931.46	670,942,799.14
(I) Total comprehensive income							-123,454,802.86				1,775,683,251.01	182,649,603.24	1,834,898,051.39
(II) Capital contributed and reduced by shareholders	-6,970,275.00				-186,271,323.79	-178,851,922.16					11,601,429.26		-2,788,247.37
1. Ordinary shares contributed by shareholders	5,732,133.00				196,099,577.31	238,183,561.27					619,072,191.00		582,740,340.04
2. Capital contributed by holders of other equity instruments													
3. Share-based equity-settled payments													
4. Others													
(III) Profit distribution	-12,722,408.00				21,942,174.33						10,791,429.26		32,733,603.59
1. Transfer of surplus reserve													
2. Provision to general risk reserve													
3. Distribution to shareholders													
4. Others													
(IV) Internal transfer within shareholders' equity													
1. Transfer of capital reserve to share capital													
2. Transfer of surplus reserve to share capital													
3. Compensate losses by surplus reserve													
4. Changes in defined benefit plans transferred to retained earnings													
5. Other comprehensive income transferred to retained earnings													
6. Others													
(V) Special reserve													
1. Extraction during the period													
2. Amount used during the period													
(VI) Others													
IV. Balance as at the End of the Year	937,865,121.00				255,258,180.44	71,209,491.00	46,548,997.70	744,801,154.15			171,926,789.47	-177,319,989.97	77,938,190.47
					1,629,356,574.34	71,209,491.00	46,548,997.70	744,801,154.15			9,716,401,275.28	1,307,261,162.15	14,311,024,793.62

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Previous Year										Total shareholders' equity		
	Shareholders' equity attributable to shareholders of the parent company					Other equity instruments							
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less:	Other comprehensive income	Surplus reserve	General risk provision	Undistributed profit	Minority interests	
I. Balance as at the End of the Previous Year	934,762,675.00				1,163,404,748.17			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													
Mergers of enterprises under common control													
Others													
II. Balance as at the Beginning of the Year	934,762,675.00				1,163,404,748.17			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				396,964,969.52	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
(+/- represents decrease)													
(I) Total comprehensive income	10,072,721.00				375,452,981.20	250,061,413.16		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				351,361,148.07	250,061,413.16						19,013,883.41	154,478,172.45
1. Ordinary shares contributed by shareholders												11,666,667.00	123,039,122.91
2. Capital contributed by holders of other equity instruments					24,091,833.13							7,347,216.41	31,439,049.54
3. Share-based equity-settled payments													
4. Others													
(III) Profit distribution									121,623,010.86		-1,96,600,053.13		-1,074,977,042.27
1. Transfer of surplus reserve									121,623,010.86				
2. Provision to general risk reserve													
3. Distribution to shareholders													
4. Others													
(IV) Internal transfer within shareholder's equity													
1. Transfer of capital reserve to share capital													
2. Transfer of surplus reserve to share capital													
3. Compensate losses by surplus reserve													
4. Changes in defined benefit plans transferred to retained earnings													
5. Other comprehensive income transferred to retained earnings													
6. Others													
(V) Special reserve													
1. Extraction during the Period													
2. Amount used during the Period													
(VI) Others													
IV. Balance as at the End of the Year	944,835,396.00				1,560,369,717.69	250,061,413.16		169,983,800.56	744,801,154.15		8,937,313,245.63	1,532,840,093.61	13,640,081,994.48

Chairman of the Board and Legal Representative:
Zhu Baoguo

Executive Director and President:
Tang Yanggang

Chief Financial Officer:
Si Yanxia

Head of Accounting Department:
Zhuang Jianying

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

267

Unit: RMB

Prepared by: Livzon Pharmaceutical Group Inc.

Item	Amount for the Year							Total shareholders' equity			
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income		Special reserve	Surplus reserve	Undistributed profit
I. Balance as at the End of the Previous Year	944,835,396.00				1,915,592,581.88	250,061,413.16	81,244,625.72		539,838,100.57	3,949,999,923.49	7,181,449,214.50
Add: Adjustment for changes in accounting policies											
Correction of accounting errors in prior period											
Others											
II. Balance at the Beginning of the Year	944,835,396.00				1,915,592,581.88	250,061,413.16	81,244,625.72		539,838,100.57	3,949,999,923.49	7,181,449,214.50
III. Increase/decrease during the Year	-6,970,275.00				-129,642,007.98	-178,851,922.16	14,444,743.17			37,736,311.48	94,420,693.83
("-" represents decrease)											
(I) Total comprehensive income							14,444,743.17			1,171,963,046.49	1,186,407,789.66
(II) Capital contributed and reduced by shareholders	-6,970,275.00				-194,988,748.19	-178,851,922.16					-23,107,101.03
1. Ordinary shares contributed by shareholders	5,752,133.00				196,099,577.31	238,183,561.27					-36,331,850.96
2. Capital contributed by holders of other equity instruments											
3. Share-based equity-settled payments											
4. Others											
(III) Profit distribution	-12,722,408.00				-404,313,075.43	-417,035,483.43					13,224,749.93
1. Transfer of surplus reserve											
2. Provision to general risk reserve											
3. Distribution to shareholders											
4. Others											
(IV) Internal transfer within shareholders' equity											
1. Transfer of capital reserve to share capital											
2. Transfer of surplus reserve to share capital											
3. Compensate losses by surplus reserve											
4. Changes in defined benefit plans transferred to retained earnings											
5. Other comprehensive income transferred to retained earnings											
6. Others											
(V) Special reserve											
1. Extraction during the period											
2. Amount used during the period											
(VI) Others											
IV. Balance as at the End of the Year	937,865,121.00				1,785,950,573.90	71,209,491.00	95,689,368.89		539,838,100.57	3,987,736,234.97	7,275,869,908.33
					65,346,740.21						65,346,740.21

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

Unit: RMB

Prepared by: Livzon Pharmaceutical Group Inc.

Item	Other equity instruments				Amount for the Previous Year				Total shareholders' equity		
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve		Surplus reserve	Undistributed profit
I. Balance as at the End of the Previous Year	934,762,675.00				1,527,410,001.24		31,474,909.33		418,215,089.71	3,937,200,218.94	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		418,215,089.71	-6,830,350.96	-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		121,623,010.86	3,930,369,867.98	6,842,232,545.26
(*) represents decrease										19,630,055.51	339,216,671.24
(I) Total comprehensive income											
(II) Capital contributed and reduced by shareholders	10,072,721.00				370,671,074.35	250,061,413.16	49,769,716.39				
1. Ordinary shares contributed by shareholders	10,072,721.00				351,361,148.07	250,061,413.16					
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									121,623,010.86	-1,196,600,053.13	-1,074,977,042.27
2. Provision to general risk reserve											
3. Distribution to shareholders									121,623,010.86	-121,623,010.86	
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				1,915,592,581.88	250,061,413.16	81,244,625.72		539,838,100.57	3,949,999,933.49	17,511,506.29
											7,181,449,214.50

Chairman of the Board and Legal Representative:
Zhu BaoguoExecutive Director and President:
Tang YanggangChief Financial Officer:
Si YanxiaHead of Accounting Department:
Zhuang Jianying

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

I. BASIC INFORMATION OF THE COMPANY

1. Overview

In March 1992, Livzon Pharmaceutical Group Inc. (麗珠醫藥集團股份有限公司) (hereinafter referred to as the "Company") was transformed into a company limited by shares by directed placement, with seven companies namely, Macau Nam Yue (Group) Co., Ltd. (澳門南粵(集團)有限公司), Zhuhai Credit Cooperative Union (珠海市信用合作聯社), Guangdong Medicine Group Co., Ltd. (廣東省製藥工業公司), Zhuhai Medicine Corporation (珠海市醫藥總公司), Guangzhou Medicines & Health Products Imp. & Exp. Corp. (廣州醫藥保健品進出口公司), Zhuhai branch of Bank of China (中國銀行珠海市分行) and Zhuhai Guihua Employees Mutual Aid Association (珠海桂花職工互助會) as its promoters to make share contribution by converting their net assets in their original sino-foreign joint ventures with limited liability into consideration, and by directed placement from other domestic legal persons and internal staff pursuant to the approval documents 1992 No. 29 issued by Zhuhai Economic System Reform Commission (珠海市經濟體制改革委員會) and 1992 No. 45 jointly issued by Joint Examination Group for Pilot Joint Stock Enterprise in Guangdong Province (廣東省企業股份制試點聯審小組) and Guangdong Economic System Reform Committee (廣東省經濟體制改革委員會).

In 1993, pursuant to Yue Zheng Jian Fa Zi [1993] No. 001 document (粵證監發字[1993] 001 號文) issued by Guangdong Securities Regulatory Commission (廣東省證券監督管理委員會), Shen Ren Yin Fu Zi [1993] No. 239 document (深人銀覆字[1993]第 239 號文) issued by 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 "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. On 3 August 2006, the procedures for the transfer of the 38,917,518 domestic legal person shares to Joicare Group were completed.

I. BASIC INFORMATION OF THE COMPANY *(continued)***1. Overview** *(continued)*

As at 31 December 2012, Joicare Group and its subsidiaries held a total of 140,122,590 shares of the Company through transfer agreements and direct purchase from the secondary market, representing 47.3832% of the total share capital of the Company, therefore it became the largest shareholder of the Company and had de facto control in the Company. Of which, 6,059,428 legal person shares held in the name of Guangzhou Begol Trading Holdings Limited (廣州市保科力貿易公司) did not complete the procedures for the transfer to Joicare Group.

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

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

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

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

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

I. BASIC INFORMATION OF THE COMPANY *(continued)***1. Overview** *(continued)*

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

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

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

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

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

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

I. BASIC INFORMATION OF THE COMPANY *(continued)***1. Overview** *(continued)*

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

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

Pursuant to the “Resolution on 2018 Share Options Incentive Scheme (Revised Draft) and its summary” considered and approved by the 2018 Third Extraordinary General Meeting, the 2018 Third Class Meeting of A Shareholders and the 2018 Third Class Meeting of H Shareholders and the “Resolution on the Related Matters of the Reserved Grant of 2018 Share Options Incentive Scheme” considered and approved at the 31st Meeting of the 9th Session of the Board, the number of options exercised was 15,824,854 as at 31 December 2021, the total number of repurchased shares cancelled was 12,722,408 as at 31 December 2021, and the total share capital of the Company was changed to 937,865,121 shares.

The Company is engaged in the pharmaceutical manufacturing industry.

The nature of business and principal activities of the Company and its subsidiaries: primarily engaged in the R&D, production and sale of pharmaceutical products, which covered drug preparation products, active pharmaceutical ingredients (“APIs”) and intermediates as well as diagnostic reagents and equipment.

During the Reporting Period, there was no change in the principal activities of the Company.

The financial statements and notes to the financial statements of the Company were approved at the 28th meeting of the 10th Session of the Board on 28 March 2022.

2. Scope of consolidated financial statements

Please refer to Note VII. “Equity in other entities” for names of subsidiaries included in the consolidation in 2021. Five more subsidiaries were included in the consolidation during the Year when compared with the previous year while four subsidiaries were 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 Company also discloses relevant financial information in accordance with the Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (2014 Revision) issued by the CSRC.

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

The Company's accounting is measured on an accrual basis. Except for certain financial instruments, these financial statements are generally measured at historical cost. In case of asset impairment, the Company shall make provisions for impairment in accordance with applicable provisions.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Company determines capitalization condition of R&D expenses and revenue recognition policies on the basis of its production and operation characteristics. Details of accounting policies are set out in Note III.21 and Note III.28.

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

The financial statements comply with the Accounting Standards for Business Enterprises, which gave a true and complete view of the consolidated and the Company's financial position as at 31 December 2021, and the consolidated and the Company's operating results and the consolidated and the Company's cash flow and other relevant information for 2021.

2. Accounting period

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

3. Business cycle

Business cycle of the Company consists of 12 months, which is the classification standard for the liquidity of assets and liabilities.

4. Functional currency

The Company and its domestic subsidiaries use RMB as their functional currency according to the primary economic environment in which they operate. The functional currency of the Company and its domestic subsidiaries is Renminbi ("RMB"). Overseas subsidiaries of the Company usually recognise HK dollar, Macau dollar and US dollar as their functional currencies according to the primary economic environment in which these subsidiaries operate. The Company prepares its financial statements in RMB.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

5. Accounting treatment for business combinations

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

(1) Business combinations involving enterprises under common control

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

Business combination involving enterprises under common control and achieved in a number of transactions

In the separate financial statements, the initial investment cost will be recognised at the carrying amount of the Company's share in the combined party's net assets in the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial investment cost and the sum of the carrying amount of the investment held and the carrying amount of consideration paid for the combination at the combination date is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings.

In the consolidated financial statements, the assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party as at the combination date, 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.

(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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

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

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

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

In the separate financial statements, the initial cost of the investment is the sum of the carrying amount of the acquiree's equity investment held before the acquisition date and the additional investment cost on the acquisition date. In respect of the equity investment held prior to the acquisition date, other comprehensive income will not be recognised using equity method on the acquisition date, and such investment will be accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the investee at the time of disposal. Shareholder's equity recognised due to the changes of other shareholder's equity other than the changes of net loss and profit, other comprehensive income and profit distribution shall be transferred to profit or loss for current period when disposed. If the equity investment held prior to the acquisition date is measured at fair value, the cumulative changes in fair value recognised in other comprehensive income shall be transferred to 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) Transaction fees attribution during the combination

The intermediary and other relevant administrative expenses such as audit, legal and valuation advisory for business combinations are recognised in profit or loss when incurred. Transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amounts of equity or debt securities.

6. Preparation of consolidated financial statements

(1) Scope of consolidation

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

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

(2) Method for preparation of the consolidated financial statements

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

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

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

The shareholders' equity of the subsidiaries that are not attributable to the Company shall be presented under shareholders' equity in the consolidated balance sheet as minority interests. The portion of net profit or loss of subsidiaries for the period attributable to minority interest is presented in the consolidated income statement under the "profit or loss of minority interest". When the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount shall be allocated against minority interest.

(3) Purchase of minority interests in subsidiaries

The difference between the long-term equity investments costs acquired by the purchase of minority interests and the share of the net assets that the subsidiaries have to continue to calculate from the date of purchase or the date of consolidation in proportion to the new shareholding ratio, and the difference between the disposal of some equity investment without losing control over its subsidiary and the disposal of the long-term equity investment corresponding to the share of the net assets of the subsidiaries from the date of purchase or the date of consolidation, shall be adjusted to the capital reserve (or share premium) in the consolidated balance sheet, if the capital reserve is not sufficient, any excess will be adjusted to retained earnings.

(4) Treatment of loss of control of subsidiaries

Where the Company loses its control over the original subsidiary due to the disposal of some equity investment or other reasons, the remaining equity is re-measured at its fair value on the date when the Company loses its control. The difference between the sum of the consideration acquired due to the disposal of the equity and the fair value of the remaining equity, and the Company's share in the sum of carrying value of net assets of the original subsidiary and goodwill calculated on an on-going basis from the acquisition date based on the original shareholding proportion is recognised in the investment income for the current period when the control is lost.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

6. Preparation of consolidated financial statements (continued)

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

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

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

In the separate financial statements, where the Company disposes of the equity investment in the subsidiary through several transactions until the loss of control, and such transactions are not regarded as "a basket of transactions", the carrying amount of the long-term equity investment involving each disposal will be carried forward, with the difference between the disposal price and the carrying amount of the long-term equity investment involving the disposal being accounted into the investment incomes for the current period; where the transactions constitute "a basket of transactions", the difference between the consideration of each disposal and the carrying amount of the long-term equity investment involving the disposal before the loss of the control, is recognised as the other comprehensive income and will be carried forward to the profit or loss for the current period when the control is lost.

In the consolidated financial statements, where the Company disposes of the equity investment in the subsidiary through several transactions until the loss of control, the measurement of the remaining equity interest and the accounting treatment of the losses and gains of the disposal will be made with reference to the "Treatment of loss of control of subsidiaries" as described above. For the difference between the consideration of each disposal before the loss of the control and the carrying amount of the Company's share in the net assets involving the disposal of such subsidiary calculated on an on-going basis from the acquisition date, the treatment will be made as follows:

- ① In case the transactions are "a basket of transactions", such difference is recognised as the other comprehensive income and will be carried forward to the profit or loss for the current period when the control is lost.
- ② In case the transactions are not "a basket of transactions", such difference is accounted into the capital reserve (or share premium) as equity, and shall not be carried forward to the profit or loss for the current period when the control is lost.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***7. Classification of joint arrangement and accounting treatment for joint operation**

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

(1) Joint operation

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

The Company recognises the following items in relation to its interest in a joint operation, and makes corresponding accounting treatment in accordance with relevant accounting standards:

- A. The solely-held assets, and the share of any assets held jointly;
- B. The solely-assumed liabilities, and its share of any liabilities incurred jointly;
- C. Its revenue from the sale of its share of the output arising from the joint operation;
- D. Its share of the revenue from the sale of the output by the joint operation;
- E. The solely-incurred expenses, including its share of any expenses incurred jointly.

(2) Joint ventures

A joint venture is a joint arrangement whereby the Company only entitled to the net assets of the arrangement.

The Company's investment in joint ventures is accounted for using the equity method according to the rules of the long-term equity investment.

8. Standards for determination of cash and cash equivalents

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

9. Foreign currency transactions and translation of financial statements in foreign currency**(1) Foreign currency transactions**

Foreign currency transactions performed by the Company are translated to the functional currency at the spot exchange rates on the date of the transactions upon initial recognition, which is normally the median exchange rate quoted by the People's Bank of China on that day and the same below; provided that the foreign currency exchange business or the transactions involving foreign currency exchange incurred by the Company are translated to the functional currency at the prevailing exchange rates.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

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

(1) Foreign currency transactions *(continued)*

Monetary items denominated in foreign currencies are translated to functional currency at the spot exchange rate on the balance sheet date. Exchange differences arising from the differences between the spot exchange rate prevailing at the balance sheet date and those spot rates used on initial recognition or at the previous balance sheet date are recognised in profit or loss for the current period; non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rate on the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rate on the date the fair value is determined; the resulting exchange differences between the amounts in functional currency upon translation and in original functional currency are recognised in profit or loss or other comprehensive income for the current period based on the nature of non-monetary items.

(2) Translation of financial statements in foreign currency

At the balance sheet date, when translating the foreign currency financial statements of overseas subsidiaries, the assets and liabilities in the balance sheet are translated at the spot exchange rate at the balance sheet date; all items except for "undistributed profits" of the shareholders' equity are translated at the spot exchange rate on the transaction date.

The revenue and expenses in the income statement are translated at the spot exchange rate on the transaction date.

All items in the statement of cash flows are translated at the spot exchange rate on the transaction date. The effect of exchange difference on cash is adjusted and separately presented as "Effect of changes in foreign exchange rates on cash and cash equivalents" in the cash flow statement.

The exchange differences arising from translation of the financial statements are presented as the "other comprehensive income" in the shareholders' equity of the balance sheet.

When the 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 Company becomes one of the parties under a financial instrument contract.

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

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

If the current obligation of a financial liability (or a part thereof) has been discharged, the financial liability (or that part of the financial liability) will be derecognised. When the Company (as the debtor) and the lender have signed an agreement which uses a new financial liability to replace the existing financial liability, and the contract terms of the new financial liability are substantially different with the original financial liability, the original financial liability shall be derecognised, and the new financial liability shall be recognised at the same time.

The regular transactions of the financial assets are recognised and derecognised at the transaction date.

(2) Classification and measurement of financial assets

The Company classifies financial assets into three categories: financial assets at amortised cost; financial assets at fair value through other comprehensive income; and financial assets at fair value through profit or loss based on the business model for managing financial assets and their contractual cash flow characteristics upon initial recognition.

① Financial assets at amortised cost

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

- A. The Company's business model for managing the financial assets is to collect contractual cash flow;
- B. The terms of the financial asset contract stipulate that the cash flow generated on a specific date is only the payment for principal and interest accrued on the outstanding principal.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets which are measured at amortised cost and not part of any hedging relationship are included in the profit and loss of the current period upon derecognition, amortization using the effective interest method, or impairments recognition.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments (continued)

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

② Financial assets at fair value through other comprehensive income

The Company shall classify financial assets that meet the following conditions and are not designated as financial assets at fair value through profit or loss as financial assets at fair value through other comprehensive income:

- A. The Company's business model for managing the financial assets is both to collect contractual cash flows and to sell the financial assets;
- B. The terms of the financial asset contract stipulate that the cash flow generated on a specific date is only the payment for principal and interest accrued on the outstanding principal.

After initial recognition, these financial assets are subsequently measured at fair value. Interest, impairment losses or gains and exchange losses and gains calculated using the effective interest method are recognised in profit or loss for the current period, while other gains or losses are recognised in other comprehensive income. The cumulative profit or loss previously included in other comprehensive income will be transferred to the profit or loss for the current period upon derecognition of the financial assets.

③ Financial assets at fair value through profit or loss

In addition to the above financial assets which are measured at amortized cost or at fair value a through other comprehensive income, the Company classifies all other financial assets as financial assets at fair value through profit or loss. When initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company irrevocably designates some financial assets that should have been measured at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss.

After initial recognition, these financial assets are subsequently measured at fair value, and the profits or losses (including interest and dividend income) generated from which are recognised in profit or loss for the current period, unless the financial assets are part of the hedging relationship.

However, with respect to non-trading equity instrument investments, the Company may irrevocably designate them as financial assets measured at fair value through other comprehensive income at initial recognition. The designation is made on the basis of individual investment, and the relevant investment conforms to the definition of equity instruments from the issuer's point of view.

After initial recognition, financial assets are subsequently measured at fair value. Dividend income that meets the requirements is recognised in profit and loss, and other gains or losses and changes in fair value are recognised in other comprehensive income. When derecognised, the accumulated gains or losses previously recognised in other comprehensive income are transferred from other comprehensive income to retained earnings.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***10. Financial instruments** *(continued)***(2) Classification and measurement of financial assets** *(continued)*③ Financial assets at fair value through profit or loss *(continued)*

The business model of managing financial assets refers to how the Company manages financial assets to generate cash flow. The business model decides whether the source of cash flow of financial assets managed by the Company is to collect contractual cash flow, sell financial assets or both of them. Based on objective facts and the specific business objectives of financial assets management decided by key management, the Company determines the business model of financial assets management.

The Company evaluates the characteristics of the contractual cash flow of financial assets to determine whether the contractual cash flow generated by the relevant financial assets on a specific date is only to pay principal and interest based on the amount of unpaid principal. Among them, principal refers to the fair value of financial assets at the time of initial recognition; interest includes the consideration of time value of money, credit risk related to the amount of unpaid principal in a specific period, and other basic borrowing risks, costs and profits. In addition, the Company evaluates the terms of the contracts that may lead to changes in the time distribution or amount of contractual cash flow of financial assets to determine whether they meet the requirements of the above contractual cash flow characteristics.

Only when the Company changes its business model of managing financial assets, all the financial assets affected shall be reclassified on the first day of the first reporting period after the business model changes, otherwise, financial assets shall not be reclassified after initial recognition.

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

(3) Classification and measurement of financial liabilities

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

① Financial liabilities at fair value through profit or loss

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

② Financial liabilities at amortised cost

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

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 any potential adverse condition, contractual obligation to exchange financial assets or financial liabilities with other parties.
- C. A non-derivative contract that will or may be settled in the entity's own equity instruments for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments.
- D. A derivative contract that will or may be settled in the entity's own equity instruments, except for derivative instrument contracts that exchange a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the Company cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, the contractual obligation meets the definition of financial liability.

If a financial instrument must or are able to be settled by the Company's own equity instrument, the Company should consider whether the Company's equity instrument as the settlement instrument is a substitute of cash or other financial assets or the residual interest in the assets of the Company after deducting all of its liabilities. If the former, the instrument is the financial liability of the Company; if the latter, the instrument is the equity instrument of the Company.

(4) Derivative financial instruments and embedded derivatives

The Company's derivative financial instruments include forward foreign exchange contracts and are initially measured at fair value on the date of the derivative contract signed and are subsequently measured at fair value. A derivative with positive fair value shall be recognised as an asset, and a derivative with negative fair value shall be recognised as a liability. Any profit or loss arising from changes of fair value and not compliance with the accounting provision of hedging shall be recognised as profit or loss for current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***10. Financial instruments** *(continued)***(4) Derivative financial instruments and embedded derivatives** *(continued)*

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

(5) Fair value of the financial instrument

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

(6) Impairment of financial assets

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

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

Measurement of expected credit loss (ECL)

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***10. Financial instruments** *(continued)***(6) Impairment of financial assets** *(continued)***Measurement of expected credit loss (ECL)** *(continued)*

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

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

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

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

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

For bills receivables, accounts receivables and contract assets, regardless whether it has significant financing components or not, the Company has always measured its loss allowance at an amount equal to lifetime expected credit losses.

If the expected credit losses of one individual financial asset cannot be estimated at a reasonable cost, the Company classifies bills receivables and accounts receivables into portfolios based on credit risk characteristics, and measures expected credit losses on portfolios basis to determine portfolios by the following basis:

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***10. Financial instruments** *(continued)***(6) Impairment of financial assets** *(continued)***Measurement of expected credit loss (ECL)** *(continued)*

B. Accounts receivables

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

Contract assets

- Contract assets portfolio: Sale of products

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

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

Other receivables

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments (continued)

(6) Impairment of financial assets (continued)

Long-term receivables

The Company's long-term receivables include finance lease receivables and equity transfer receivables.

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

- A. Finance lease receivables
 - Portfolio of finance lease receivables: other receivables
- B. Other long-term receivables
 - Portfolio of other long-term receivables: equity transfer receivables

For finance lease receivables and equity transfer receivables, the Company measures expected credit losses based on the risk exposures of default and lifetime expected credit losses rate with reference to the historical credit loss experience, current situation and forecasts of future economic conditions.

For other receivables and long-term receivables other than finance lease receivables and equity transfer receivables that are classified into portfolios, the Company measures expected credit losses based on the risk exposures of default and future 12-month or lifetime expected credit losses rate.

Debt investments and other debt investments

For debt investments and other debt investments, the Company measures expected credit losses based on the nature of investments, counterparties and various types of risk exposures and the risk exposures of default and future 12-month or lifetime expected credit losses rate.

Assessment of significant increase in credit risk

By comparing the risk of default of financial instruments occurring on the balance sheet date and on the initial recognition date, the Company determines the relative changes in risk of default over the expected life of financial instruments and assesses whether the credit risk of financial instruments have increased significantly since the initial recognition.

When determine whether credit risks have significantly increased since the initial recognition, the Company considers information that is reasonable and supportable, including forward-looking information, that is available without undue cost or effort. The information considered by the Company includes:

- Failure to make payments of principal or interest on debtors' contractually due dates;
- An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if any);
- An actual or expected significant deterioration in the operating results of debtors;
- Existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtors' abilities to repay to the Company.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***10. Financial instruments** *(continued)***(6) Impairment of financial assets** *(continued)***Assessment of significant increase in credit risk** *(continued)*

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

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

Credit-impaired financial assets

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

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

Presentation of allowance for ECL

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

Write-off

The book balance of the carrying amount of a financial asset will be written off (either partially or in full) to the extent that there is no realistic prospect of recovery of contractual cash flows of the financial asset by the Company. A write-off constitutes a derecognition of the relevant financial asset. This is generally the case the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Subsequent recovery of an asset that was previously written off is recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Financial instruments (continued)

(7) Transfer of financial assets

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

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

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

(8) Offsetting financial assets and financial liabilities

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

11. Fair value measurement

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. Fair value measurement *(continued)*

The Company uses the valuation techniques that are appropriate in the circumstances and for which sufficient data and other information available, and maximizes the use of relevant observable inputs, while unobservable inputs will be used only when the observable inputs cannot or impracticable to be obtained.

For the assets and liabilities measured or disclosed at fair value in the financial statements, fair value hierarchies are categorized into three levels based on the lowest level inputs that are significant to the entire fair value measurement: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs for the asset or liability.

At each balance sheet date, the Company re-assesses the assets and liabilities measured at fair value on continuing basis recognised in the financial statements to determine whether any transfer occurs between fair value hierarchies.

12. Inventories

(1) Classification of inventories

The Company's inventories include, among others, raw materials, packaging materials, work in progress, finished goods, subcontracting materials and low-value consumables.

(2) Method of costing for inventory acquisition and distribution

Inventories are measured at actual cost on acquisition. Cost of inventories comprises actual costs of purchase and which incurred in bringing the inventories to their present location and condition. Cost of distribution of inventories is calculated using the weighted average cost method. Low-value consumables and packaging materials are amortised in full upon the use.

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

12. Inventories (continued)

(4) Inventory system

The Company maintains a perpetual inventory system.

(5) Amortisation methods for low-value consumables

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

13. Assets held for sale and discontinued operations

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

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

The aforesaid non-current assets do not include investment property measured with the basis of fair value; the biological assets measured with the basis of fair value less selling costs; the assets formed by employee benefits; financial assets and the right arising from deferred income tax assets and insurance contracts.

A disposal group is a group of assets to be disposed through sale or other means as a whole in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. In certain circumstance, disposal groups include the goodwill obtained through business combination.

Non-current assets and disposal groups that meet the following conditions are classified as held for sale: according to the practice of disposing of this type of assets or disposal groups in a similar transaction, a non-current asset or disposal group is available for immediate sale at its present condition; the sale is likely to occur, that is, a decision has been made on a sale plan and a determined purchase commitment is made, and the sale is expected to be completed within one year. Where the loss of control over the subsidiaries is due to the sales of investment in subsidiaries, no matter whether the Company retains part of the equity investment after selling or not, the investment in subsidiaries shall be classified as held for sale in the separate financial statements when it satisfies the conditions for category of held for sale; all assets and liabilities of subsidiaries shall be classified as held for sale in the consolidated financial statements.

The difference between carrying amount of non-current assets or disposal groups classified as held for sale and the net amount of fair value less selling costs shall be recognised as impairment loss on assets upon initial measurement or when such non-current assets or disposal groups are remeasured at the balance sheet date. For the amount of impairment loss on assets recognised in disposal groups, the carrying amount of disposal groups' goodwill shall be offset against first, and then offset against the carrying amount of non-current assets according to the proportion of carrying amount of the individual non-current assets in the disposal groups.

If on a subsequent balance sheet date, the net amount of the fair value of a held-for-sale non-current asset or disposal group less its selling costs increases, the amount reduced previously shall be recovered, and reversed in the asset impairment loss recognised on the non-current asset after the non-current asset is classified into held-for-sale category. The reversed amount is recognised in current profit or loss. The carrying value of goodwill which has been offset cannot be reversed.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

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

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

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

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

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

(2) Discontinued operation

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

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

(3) Presentation

The Company presents the non-current assets held for sale and the assets in the disposal group held for sale under "assets classified as held for sale", and the liabilities in the disposal group held for sale under "liabilities classified as held for sale" in the balance sheet.

The Company presents the profit and loss for continuing operation and profit and loss for discontinued operation in the income statement, respectively. The impairment loss and reversal amount and disposal profit and loss of the non-current assets held for sale or disposal group not meeting the definition of discontinued operation will be presented as the profit and loss of continuing operation. The operating profit and loss (such as impairment loss and reversal amount) and disposal profit and loss of the discontinued operation will be presented as the profit and loss of the discontinued operation.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***13. Assets held for sale and discontinued operations** *(continued)***(3) Presentation** *(continued)*

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

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

14. Long-term equity investment

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

(1) Determination of initial investment cost

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

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

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

The investment in subsidiary will be accounted for using cost method, unless the investment meets the criteria of held-for-sale category. The investment in associates and joint venture will be accounted with equity method.

For the long-term equity investment accounted for using cost method, except for the price actually paid upon the investment or the cash dividend or profit in the consideration that has been declared but not released, the cash dividend or profit declared and distributed by the investee is recognised as the investment income and recorded into the profit and loss for the current period.

For the long-term equity investment accounted for using equity method, the investment cost of the long-term equity investment shall not be adjusted if the initial investment cost of the long-term equity investment is higher than the Company's share in the fair value of the identifiable net value of the investee at the time of investment; if the initial investment cost of the long-term equity investment is lower than the Company's share in the fair value of the identifiable net value of the investee at the time of investment, the carrying amount of the long-term equity investment will be adjusted, with the difference recorded into the profit and loss for the current period of investment.

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 Company's share of the net profit or loss of the investees will be recognised after adjustment of the net profit of the investees according to the accounting policy and accounting period of the Company on the basis of fair value of all identifiable assets of the investee on acquisition.

If the Company is able to exert significant influence or implement joint control (which does not constitute control) on the investee through additional investment or other reason, the sum of the fair value of the original equity plus the additional investment cost will be used as the initial investment cost, which will be accounted for with equity method, on the conversion date. If the original equity has been classified as non-trading equity instrument investments measured at fair value through other comprehensive income, the related accumulated change of fair value originally recorded into other comprehensive income will be transferred into the retained earnings when accounted for using equity method.

If an entity loses joint control or has no significant influence over investees due to the elimination of parts of the equity investment, the surplus equity after disposal shall be recognised in accordance with "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", and the difference between fair value and carrying amount should be recognised as profit or loss for current period. Other comprehensive income of original equity investment recognised under equity method shall be recognised in accordance with the same foundation used by the investees when dispose the relevant assets or liabilities directly in the termination of equity method. Other changes of owners' equity related to the original equity investment shall be transferred into profit or loss for current period.

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

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

The Company recognises the unrealized profit or loss of intra-transaction between the joint ventures or associates that belongs to itself according to the proportion of the shares and recognises the investment income or loss after offset. However, the loss arising from the unrealized intra-transaction between the Company and investees, which belongs to the impairment loss of assets transferred, cannot be offset.

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 Company include land use rights that have already been leased out, land use rights that are held for the purpose of sale after capital appreciation, buildings that have been already been leased out, etc.

Investment properties of the Company are measured initially at cost upon acquisition, and subject to depreciation or amortization in the relevant periods according to the relevant provisions on fixed assets or intangible assets.

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

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

16. Fixed asset**(1) Conditions for recognition of fixed assets**

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

The fixed asset can be recognised only when it is probable that the related economic benefits will flow to the company and the cost of the fixed asset can be reliably measured.

The Company's fixed assets are initially measured at the actual cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the related economic benefits will flow to the Company and the related cost can be reliably measured. The daily repair costs of fixed assets that do not meet the recognition criteria of subsequent expenditures of fixed assets are recorded in the profit or loss for the current period or included in the cost of the relevant assets when incurred. The carrying amount of the replaced part is derecognised.

(2) Depreciation methods of fixed assets

Fixed assets are depreciated using the equal annual instalment method. Fixed assets start to be depreciated from the day the assets to the expected conditions for use and stop to be depreciated when the assets are derecognised and are divided into hold-for-sale as non-current assets. For those fixed assets without considering impairment provision, the Company's annual depreciation rates are shown as follows according to the category, expected useful lives and estimated net residual values rates:

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

16. Fixed asset (continued)

(2) Depreciation methods of fixed assets (continued)

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

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

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

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

(5) Disposal of fixed assets

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

17. Construction in progress

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

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

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

18. Borrowing costs

(1) Recognition principle of capitalization of borrowing costs

For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, they shall be capitalized and included in the cost of related assets; other borrowing costs are recognised as expenses and included in profit or loss 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***18. Borrowing costs** *(continued)***(2) Capitalization period of borrowing costs**

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The borrowing cost incurred after that is recognised as an expense in the period in which they are incurred and included in profit or loss for the current period.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months; the borrowing costs in the normally interrupted period continue to capitalize.

(3) Calculation of the capitalization rate and amount of borrowing costs

The interest expense of the specific borrowings incurred at the current period, deducting any interest income earned from depositing the unused specific borrowings in bank or the investment income arising from temporary investment, shall be capitalized. The capitalization rate of the general borrowing is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings.

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

19. Biological assets**(1) Determination of biological assets**

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

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

(2) Classification of biological assets

The Company's biological assets are consumable biological assets which include traditional Chinese medical herbal plant species.

The consumable biological assets refer to the biological assets held for sale, or biological assets to be harvested as agricultural products in the future, consisting of growing traditional Chinese medical herbal plant species. The consumable biological asset is initially measured at cost. The cost of any consumable biological asset by way of self-planting, cultivating, propagating or breeding is the necessary cost directly attributable to this asset prior to the harvest, consisting of borrowing costs that meet the conditions of capitalization. The subsequent expenses for the maintenance, protection and raising of a consumable biological asset after the harvest shall be included in the profits or loss for the current period.

The cost of a consumable biological asset shall, at the time of harvest or sale, be carried forward at its book value by the weighted average method.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

19. Biological assets (continued)

(3) Impairment of biological assets

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

20. Intangible assets

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

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

Intangible assets are initially measured at actual cost.

- ① Where the payment for acquisition of an intangible asset is postponed beyond the normal credit terms, which substantially constitutes a financing transaction, the present value of the purchase price will be 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 Company shall make judgement to determine the useful life of intangible assets upon acquisition based on its analysis. For intangible assets with finite useful life, the useful life shall be estimated from its length of service, its output in the future or other similar factors involved. When there is no foreseeable limit to the period over which an intangible asset is expected to generate economic benefits for the enterprise, it is regarded as having an indefinite useful life.

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

21. Research and development expenditure

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

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

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

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

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

Where it is impossible to differentiate the expenditures on the research phase and the expenditures on the development phase, all the research and development expenditures are recognised in the profit or loss for the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

22. Impairment of assets

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

On the balance sheet date, the Company determines whether there may be evidence of impairment of assets, if there is any evidence of impairment, the Company will estimate the recoverable amount for impairment test. For goodwill arising from a business combination, intangible assets with indefinite useful life and the intangible assets that have not yet ready for use are tested for impairment annually regardless of whether such evidence exists.

The recoverable amount of an asset is determined by the higher amount of its fair value less disposal costs and the present value of future cash flows expected to be derived from the assets. The Company estimates the recoverable amount based on individual asset; for an individual asset which is difficult to estimate the recoverable amount, the Company shall determine the recoverable amount of the asset group to which the asset belongs. The determination of an asset group is based on whether major cash inflows generated by the asset group are independent of the cash inflows from other assets or asset groups.

When the asset or asset group's recoverable amount is lower than its carrying amount, the Company reduces its carrying amount to its recoverable amount, the reduced amount is included in the profit or loss for the current period, while the provision for impairment of assets is recognised accordingly.

In terms of impairment test of the goodwill, the carrying amount of the goodwill arising from business combination shall be allocated to the related asset groups on a reasonable basis from acquisition date; where it is difficult to allocate to the related asset groups, it is allocated to the combination of related asset groups. The related asset groups or combination of asset groups are those which can benefit from the synergies of the business combination and are not larger than the reportable segments identified by the Company.

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

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

23. Long-term deferred expenses

The Company's long-term deferred expenses are measured at actual cost and evenly amortized on straight-line basis over the expected beneficial period. For the long-term deferred expense items that cannot benefit the subsequent accounting periods, their amortized value shall be entirely included in the profit or loss for the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***24. Employee compensation****(1) The scope of employee compensation**

Employee compensation refers to all forms of remuneration and compensation given by the Company in exchange for service rendered by employees or the termination of employment. Employee compensation includes short-term remuneration, post-employment benefits, termination benefits and other long-term employee benefits. Employee compensation also includes benefits provided to employees' spouses, children, other dependants, survivors of the deceased employees or to other beneficiaries.

According to liquidity, employee compensation is presented separately as "employee benefits payables" item and "long-term employee benefits payables" item in the balance sheet.

(2) Short-term employee compensation

During the accounting period in which the employees render the related services, actually incurred wages, bonuses, social insurance contributions (including medical insurance fees, work-related injury insurance fees, maternity insurance fees, etc.) and housing provident fund are recognised as liability and included in the profit or loss for the current period or related asset costs. If the liability cannot be wholly settled within twelve months after the end of the annual reporting period in which the employees render the related service and has significant financial impact, the liability shall be measured as the discounted amount.

(3) Post-employment benefits

Post-employment benefit plans mainly include defined contribution plans. Defined contribution plans refer to the post-employment benefit plans under which an entity pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions. Defined contribution plans include the basic pension insurance, unemployment insurance, etc.

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

(4) Termination benefits

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

24. Employee compensation *(continued)*

(5) Other long-term benefits

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

25. Provisions

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

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

Provisions are initially measured at the best estimate of the payment to settle the associated obligations and consider the relevant risk, uncertainty and time value of money. If the impact of time value of money is significant, the best estimate is determined as its present value of future cash outflow. The Company reviews the carrying amount of provisions on the balance sheet date and adjusts the carrying amount to reflect the best estimate.

If all or some expenses incurred for settlement of recognised provisions are expected to be borne by a third party or another party, the compensation amount shall, on a recoverable basis, be recognised as asset separately, and compensation amount recognised shall not be more than the carrying amount of the liability recognised.

26. Share-based payment and equity instruments

(1) Category of share-based payment

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

(2) Determination of fair value of equity instrument

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***26. Share-based payment and equity instruments** *(continued)***(4) Accounting treatment for implementation, amendment and termination of share-based payment plans**

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

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

When the Company modifies the share-based payment plan, and if such modification increases the fair value of the equity instruments granted, the increase in services received will be recognised accordingly following the increase in fair value of the equity instruments; if such modification increases the number of equity instruments granted, the increase in fair value of the equity instruments is recognised as a corresponding increase in services received. The increase in fair value of the equity instruments refers to the difference in fair values on the date of modification before and after the modification in respect of the equity instruments. If the modification reduces the total fair value of the share-based payments or adopts any form that is unfavorable to employees to modify the terms and conditions of the share-based payment plan, accounting treatment will be continued to be conducted in respect of the services received and the modification will be deemed to have never occurred, unless the Company had cancelled part or all of the equity instruments granted.

During the pending period, if the equity instruments granted are cancelled (except for failure to meet the non-market conditions of the exercising conditions), the Company will undertake an accelerated exercising in respect of the cancelled equity instruments that have been granted, include the remaining amount that shall be recognised during the pending period in the profit and loss for the current period immediately and recognise capital reserve accordingly. Where employees or other parties are permitted to choose to fulfill non-exercising conditions but have not fulfilled during the pending period, the Company 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 payment transactions involving the Company and the shareholders or the actual controller of the Company**

For share-based payment transactions involving the Company and the shareholders or the actual controller of the Company, the settlement enterprise and the enterprise receiving services (one under the Company while another external to the Company) shall follow the requirements below to conduct accounting treatment in the Company's consolidated financial statements:

- ① For settlement enterprises settling through their own equity instruments, such share-based payment transaction will be treated as equity-settled share-based payment; except for this, such share-based payment transaction will be treated as cash-settled share-based payment.

Where a settlement enterprise is an investor of an enterprise receiving services, the fair value of the equity instruments on the date of grant or the fair value of the liabilities that shall be assumed are recognised as long-term equity investment in the enterprise receiving services, at the same time, capital reserve (other capital reserve) or liabilities are recognised.

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

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

27. Preferred shares, perpetual bonds and other financial instruments**(1) Distinction between financial liabilities and equity instruments**

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

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

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

The transaction costs such as charges and commissions incurred by the Company when issuing financial instruments, if classified as debt instruments and measured at amortized cost, are included in the initial measurement amount of the issued instruments; if classified as equity instruments, are deducted from equity.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

28. Revenue

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

When the contract contains two or more performance obligations, on the effective date of the contract, the Company allocate the transaction price to each performance obligation based on the percentage of respective unit price of a good or service guaranteed by each performance obligation, and the revenue is measured according to the transaction price allocated to each performance obligation.

If one of the following conditions is fulfilled, the Company satisfies a performance obligation over time; otherwise, it satisfies a performance obligation at a point in time:

- ① When the customer simultaneously receives and consumes the benefits provided by the Company when the Company performs its obligations under the contract.
- ② When the customer is able to control the commodity in progress in the course of performance by the Company under the contract.
- ③ The product produced by the Company under the contract is irreplaceable and the Company has the right to payment for performance completed to date during the term of the contract.

For a performance obligation satisfied over time, the Company shall recognise revenue over time by measuring the process towards complete satisfaction of the performance obligation. When the progress of performance cannot be reasonably determined, if the costs incurred by the Company are expected to be recoverable, the revenue will be recognised to the extent of the costs incurred until the progress of performance can be reasonably determined.

For a performance obligation satisfied at a point in time, the Company shall recognise revenue when the customer obtains control of relevant goods or services. When determining whether the customer has obtained control of the goods and services, the Company will consider the following indications:

- ① The Company has the current right to receive payment for the goods or services, which is when the customer has the current payment obligations for the goods.
- ② The Company has transferred the legal title of the goods to the customer, which is when the customer possesses the legal title of the goods.
- ③ The Company has transferred the physical possession of goods to the customer, which is when the customer obtains physical possession of the goods.
- ④ The Company has transferred all of the substantial risks and rewards of ownership of the goods to the customer, which is when the customer obtains all of the substantial risks and rewards of ownership of the goods.
- ⑤ When the customer has accepted the goods or services.
- ⑥ When other information indicates that the customer has obtained control of the goods.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

28. Revenue *(continued)*

A contract asset represents the Company's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditioned on factors other than passage of time, for which the impairment allowance for expected credit loss is recognised (see Note III.10(6)). The Company shall present any unconditional (i.e. if only the passage of time is required) rights to consideration separately as a receivable. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or the amount is due) from the customer.

The contract assets and liabilities under the same contract shall be shown on a net basis. If the net amount stated in debit balance, it will be presented under the items of "Contract assets" or "Other non-current assets" according to its liquidity; if the net amount stated in credit balance, it will be presented under the items of "Contract liabilities" or "Other non-current liabilities" according to its liquidity.

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

29. Contract costs

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

Incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. The Company recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. 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 Company recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- ① the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Company entered into the contract;
- ② the costs enhance resources of the Company that will be used in satisfying performance obligations in the future;
- ③ the costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the "assets related to contract costs") are amortised on a 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 Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- ① remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates;
- ② The cost estimated to be happened for the transfer of related goods or services.

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

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

30. Government grants

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

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

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

Regarding to the government grant not clearly defined in the official documents and can form long term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to income. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to income.

The government grant related to assets is recognised as deferred income and would be transferred to profit or loss in reasonable and systematic manner within the period of use of the relevant assets. The government grant related to income which is used to compensate the relevant costs or losses incurred should be recognised in the profit or loss for the current period; the government grant related to income which is used to compensate the relevant costs or losses for the subsequent period is recognised as deferred income and shall be recognised in profit or loss during the relevant cost or loss confirmation period. Government grants measured in nominal terms are directly included in the profit or loss for the current period. The Company has adopted a consistent approach to the same or similar government grant business.

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

- (1) The transaction is neither a business combination nor affects accounting profit or taxable profit (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 Company reviews the carrying amount of a deferred income tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred income tax asset to be utilised, the carrying amount of the deferred income tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

32. Leases

(1) Identification of leases

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

(2) The Company as the lessee

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

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

Lease liabilities are initially measured based on the present value of outstanding lease payment at the inception of a lease, discounted using the interest rate implicit in the lease, or the incremental borrowing rate in case the interest rate implicit in the lease cannot be determined. Lease payment include: fixed payments and in-substance fixed payments, less any lease incentives (if there is a lease incentive); variable lease payment that are based on an index or a rate; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments of penalties for terminating the lease option, if the lease term reflects that the lessee will exercise that option; and amounts expected to be payable under the guaranteed residual value provided by the lessee. The Company shall subsequently calculate the interest expenses of lease liabilities over the lease term at the fixed periodic interest rate, and include it into the profit or loss for the current period. Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period in which they actually arise.

Short-term lease

Short-term lease refers to the lease that the lease term does not exceed 12 months from the inception of a lease, and the lease that includes the option of purchase is not a short-term lease.

The Company recognises the amount of lease payments of short-term lease in the cost of the related asset or the profit or loss for the current period, on a straight-line method over each period of the lease term.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

32. Leases *(continued)*

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

Leases of low-value assets

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

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

Lease modification

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

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

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

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

(3) The Company as the lessor

When the Company is the lessor, the lease that substantially transfers all the risks and rewards related to the ownership of assets is recognised as a finance lease, and leases other than finance leases are recognised as operating leases.

Finance leases

In a financial lease, the Company uses the net investment in leases as the carrying amount of finance lease receivables at the inception of a lease. The net investment in leases is the sum of the unguaranteed residual value and the present value of the outstanding lease payment at the inception of a lease, discounted using the interest rate implicit in the lease. The Company, as the lessor, calculates and recognises the interest income over each period of the lease term at a fixed periodic interest rate. Variable lease payments not included in the measurement of the lease liability, which are obtained by the Company 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".

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

32. Leases *(continued)*

(3) The Company as the lessor *(continued)*

Operating leases

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

Lease modification

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

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

If the modification to operating lease is not accounted for as a separate lease, the Company will deal with the modified lease under the following circumstances: ① If the modification takes effect on the commencement date of the lease and the lease will be classified as an operating lease, the Company will account for it as a new lease from the effective date of the lease modification, and take the net lease investment before the effective date of the lease modification as the carrying amount of the leased assets; ② If the modification takes effect on the commencement date of the lease and the lease will be classified as a finance lease, the Company will account for it in accordance with the requirements on modifying or renegotiating a contract under the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument".

33. Right-of-use assets

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

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

Right-of-use assets are initially measured at cost as at the commencement date of the lease, which consists of: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date of the lease less any lease incentives received if any; initial direct expenses incurred by the Company as a lessee; costs to be incurred by the Company as a lessee in dismantling and removing a leased asset, restoring the site on which it is located or restoring the leased assets to the condition required by the terms and conditions of the lease. The Company as a lessee recognises and measures the costs of demolition and restoration according to "Accounting Standards for Business Enterprises No.13 – Contingencies", and subsequently adjusts for any remeasurement of lease liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

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

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

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

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

34. Repurchase of shares

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

The difference between the actual amount received and the carrying amount of the treasury stock are recognised as capital reserve when the treasury stocks are transferred, 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 Company are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The significant accounting estimates and critical assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are set out below:

(1) Classification of financial assets

Significant judgements involved in determining the classification of financial assets include analysis of business mode and characteristics of the contractual cash flows.

Factors considered by the Company in determining the business model of financial assets management for a group of financial assets include past experience on how financial asset's performance is evaluated and reported to key management personnel, how risks affecting the performance of financial asset are assessed and managed and how managers of related businesses are compensated.

When assessing whether the contractual cash flows of financial assets are consistent with basic lending arrangement, the Company adopts the following significant judgements: whether the time distribution or amounts of the principal within the duration may change due to early repayment and other reasons; whether the interest includes only the time value of money, credit risk, other basic lending risks and the consideration for cost and profit. For example, the amounts of early repayment only reflect principal unpaid, the interest based on principal unpaid and reasonable compensation paid for early termination of a contract.

(2) Measurement of ECL for account receivables

The Company calculates ECL of account receivables according to their exposure at default and ECL rate, and determines ECL rate based on probability of default and loss given default. When determining ECL rate, the Company adopts data like historical credit loss experience in combination with current situation and forward-looking information to adjust historical data. When considering forward-looking information, the Company uses indicators including the risk of economic downturn, external market environment, technology environment and changes on customer situation. The Company periodically monitors and reviews assumptions relevant to the measurement of ECL.

(3) Impairment of goodwill

The Company evaluates whether goodwill is impaired at least once a year. This requires an estimate of the value in use of the asset groups to which the goodwill is allocated. In estimating the value in use, the Company needs to estimate the future cash flows generated from the asset groups and also to choose an appropriate discount rate in order to calculate the present value of the future cash flows.

(4) Development expenditure

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

(5) Deferred income tax assets

The deferred income tax assets will be recognised for all unused tax losses to the extent that it is probable that there will be sufficient taxable profits against which the loss is utilised. This requires the management to exert numerous judgments to estimate the timing and amount of the future taxable profits so as to determine the amount of deferred income tax assets to be recognised with reference to the tax planning strategy.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES*(continued)***36. Significant accounting judgements and estimates** *(continued)***(6) Revenue recognition**

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

(7) Determination of the fair value of unlisted equity investment

The fair value of unlisted equity investments represents the expected future cash flows discounted at the prevailing discount rate of items with similar terms and risk characteristics. It requires the Company to estimate the expected future cash flows and discount rates, and therefore there is uncertainty. Under limited circumstances, if the information used to determine the fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and cost represents the best estimate of the fair value within such scope, the cost may represent an appropriate estimate of the fair value within such distribution scope.

37. Changes in significant accounting policies and accounting estimates and correction to accounting errors**(1) Changes in accounting policies**

None.

(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 Limited (麗安香港有限公司) and Livzon Biologics Hong Kong Limited (麗珠生物科技香港有限公司)	16.5
Companhia de Macau Carason Limitada (澳門嘉安信有限公司) and Li Zhu (Macau) Limitada (麗珠(澳門)有限公司)	0 or 12 (Tax rate is 12% where the taxable income is MOP600,000 or more; for those with taxable income less than MOP600,000, they are exempted from income taxes.)
The Company and Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠), Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司), Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司), Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司), Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司), Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司), Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司), Shanghai Livzon Biotechnology Co., Ltd. (上海麗珠生物科技股份有限公司), Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	15
Livzon MABPharm (US) Inc. (麗珠單抗生物技術(美國)有限公司)	21
Livzon International Ventures, Livzon International Ventures I, Livzon International Ventures II	0
Other subsidiaries	25 or be entitled to preferential tax policies for small and low-profit enterprises

IV. TAXATION *(continued)***2. Tax preference and approvals****(1) Preferential value added tax**

In accordance with the Announcement on Value Added Tax on Biological Products Sold by Pharmaceutical Operation Enterprises (Announcement of State Administration of Taxation 2012 No. 20) and the Notice of the Ministry of Finance, the General Administration of Customs, the State Administration of Taxation and the State Drug Administration on the Value-Added Tax Policies for Anti-Cancer Drugs (Caishui [2018] No. 47), the biological products and anti-cancer drugs sold by the Company are subject to value added tax at 3% by the simple approach.

(2) Preferential enterprise income tax

The Company and its subsidiaries, Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠), Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司), Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司), Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司) and Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司) are entitled to enjoy preferential income tax policies applicable to high and new technology enterprises since 2020 for a valid period of three years; 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 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. (上海麗珠生物科技股份有限公司) is entitled to preferential income tax policies applicable to high and new technology enterprises since 2021 for a valid period of three years; Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司) was approved to enjoy the enterprise taxation preference of the Encouraged Industries in Western China. Such companies were subject to an enterprise income tax rate of 15% for the 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 Shen yuan Medicine Co., Ltd. (隴西麗珠參源藥材有限公司) are exempted from enterprise income tax.

According to the preferential tax policies for small low-profit enterprises, the portion of annual taxable income of a small low-profit enterprise which does not exceed RMB1 million is subject to enterprise income tax at a tax rate of 2.5%; the portion over RMB1 million but not exceeding RMB3 million is subject to enterprise income tax at a tax rate of 10%.

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Unless specified otherwise, "Beginning of the Year" refers to 1 January 2021, "End of the Year" refers to 31 December 2021; "Year" refers to the year 2021 and "Last Year" refers to the year 2020 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:			194,319.63			160,781.75
RMB			178,450.45			143,535.86
Euro	1,579.87	7.2197	11,406.19	1,579.87	8.0250	12,678.46
USD	700.00	6.3757	4,462.99	700.00	6.5249	4,567.43
Bank deposits:			8,982,580,795.23			9,860,877,412.96
RMB			8,029,040,026.98			8,962,639,630.48
HKD	3,689,174.59	0.8176	3,016,269.14	59,024,354.62	0.84164	49,677,257.82
Euro	75,451.09	7.2197	544,734.23	78,241.56	8.0250	627,888.52
USD	148,446,729.16	6.3757	946,451,811.10	129,781,661.24	6.5249	846,812,361.44
MOP	1,412,971.92	0.7936	1,121,334.52	1,370,869.68	0.8172	1,120,274.70
JPY	43,429,022.00	0.055415	2,406,619.26			0.00
Bank deposits: Deposits with financial companies			0.00			0.00
Other monetary funds:			143,628,687.38			92,709,368.76
RMB			2,134,278.90			2,930,256.74
HKD	67,295,920.52	0.8176	55,021,144.62	1,614,514.71	0.84164	1,358,840.16
USD	13,562,944.28	6.3757	86,473,263.86	13,551,207.20	6.5249	88,420,271.86
Interest receivable:			19,969,652.77			0.00
RMB			19,969,652.77			0.00
Total			9,146,373,455.01			9,953,747,563.47
Of which: Total amount of overseas deposits			800,264,898.14			801,916,581.94

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

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

1. Monetary funds *(continued)*

- ① Other monetary funds are mainly deposits for investments, deposits for letters of guarantee and other businesses.
- ② Frozen funds in bank deposits and restricted funds relating to deposits for letters of guarantee and other businesses in other monetary funds were deducted from cash and cash equivalents in cash flow statement. Other than such funds, there is no other amounts subject to restricted uses under charge, pledge or lock up, kept outside China and 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	1,093,834.12	1,697,573.39

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	182,773,354.56	25,984,877.13
Of which: Debt instrument investments	940,162.94	909,752.05
Equity instrument investments	176,321,853.05	14,351,400.72
Derivative financial assets	5,511,338.57	10,723,724.36
Total	182,773,354.56	25,984,877.13

- ① The Company'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 stock exchanges such as Shenzhen Stock Exchange, The Stock Exchange of Hong Kong Limited and NASDAQ in the United States. Their fair value was determined based on the closing price on the last trading day in the Reporting Period.
- ② Derivative financial assets represent foreign currency forward contracts, futures contracts, gains from unexpired contracts measured at fair value was recognised as financial assets at balance sheet date.

(2) No restrictive financial asset measured at fair value through profit or loss was realised in the 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	1,342,510,380.44	481,000.00	1,342,029,380.44	1,149,425,595.17	481,000.00	1,148,944,595.17

(1) Pledged bills receivables at the End of the Year

Type	Pledged amount at the End of the Year
Bank acceptance bills	274,605,538.20

As at 31 December 2021, bills with carrying amount of RMB274,605,538.20 (31 December 2020: RMB232,664,555.17) 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	169,604,780.51	0.00
Bank acceptance bills not yet mature but already discounted	0.00	0.00
Total	169,604,780.51	0.00

During the Year, the Group discounted RMB0.00 bank acceptance bills (Last Year: RMB100,000.00) to a bank. As the main risks (such as interest rate risks) and rewards related to these bank acceptance bills were transferred to the bank, the Group derecognised the undue bank acceptance bills that had been discounted. The discounted fee was RMB0.00 (Last Year: RMB1,235.00).

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

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. Bills receivables** (continued)**(3) There were no bills transferred into account receivables for non-performance by the issuer at the End of the 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	481,000.00	0.04	481,000.00	100.00	0.00
Of which:										
Bank acceptance bills	481,000.00	0.04	481,000.00	100.00	0.00	481,000.00	0.04	481,000.00	100.00	0.00
Provision for bad debt on collective basis	1,342,029,380.44	99.96	0.00	0.00	1,342,029,380.44	1,148,944,595.17	99.96	0.00	0.00	1,148,944,595.17
Of which:										
Bank acceptance bills	1,342,029,380.44	99.96	0.00	0.00	1,342,029,380.44	1,148,944,595.17	99.96	0.00	0.00	1,148,944,595.17
Total	1,342,510,380.44	100.00	481,000.00	0.04	1,342,029,380.44	1,149,425,595.17	100.00	481,000.00	0.04	1,148,944,595.17

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	431,000.00	431,000.00	100.00	Not expected to be recoverable
Other customers	50,000.00	50,000.00	100.00	Not expected to be recoverable	50,000.00	50,000.00	100.00	Not expected to be recoverable
Total	481,000.00	481,000.00	100.00	/	481,000.00	481,000.00	100.00	/

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	481,000.00
Provision for the Year	0.00
Recoveries or Reversals during the Year	0.00
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)	1,717,858,455.79	1,573,299,819.60
4 – 6 months (including 6 months)	224,360,216.49	157,381,703.50
7 – 12 months (including 12 months)	32,712,993.46	24,093,032.71
Subtotal within 1 year:	1,974,931,665.74	1,754,774,555.81
1 – 2 years (including 2 years)	10,347,942.09	16,114,928.65
2 – 3 years (including 3 years)	3,654,202.11	7,813,086.60
Over 3 years	9,228,360.06	9,803,417.28
Subtotal	1,998,162,170.00	1,788,505,988.34
Less: Provision for bad debt	46,264,058.80	45,357,950.96
Total	1,951,898,111.20	1,743,148,037.38

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

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

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

4. Accounts receivables (continued)

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

Category	Balance at the End of the Year					Balance at the Beginning of the Year				
	Gross amount		Provision for bad debt		Carrying value	Gross amount		Provision for bad debt		Carrying value
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)		Amount	Percentage (%)	Amount	Expected credit loss rate (%)	
Provision for bad debt on individual basis	518,861.41	0.03	518,861.41	100.00	0.00	632,394.67	0.04	632,394.67	100.00	0.00
Of which:										
Due from domestic customers	518,861.41	0.03	518,861.41	100.00	0.00	518,861.41	0.03	518,861.41	100.00	0.00
Due from overseas customers	0.00	0.00	0.00	0.00	0.00	113,533.26	0.01	113,533.26	100.00	0.00
Provision for bad debt on collective basis	1,997,643,308.59	99.97	45,745,197.39	2.29	1,951,898,111.20	1,787,873,593.67	99.96	44,725,556.29	2.50	1,743,148,037.38
Of which:										
Due from domestic customers	1,595,227,516.50	79.83	38,744,144.56	2.43	1,556,483,371.94	1,476,500,020.12	82.55	39,249,778.35	2.66	1,437,250,241.77
Due from overseas customers	402,415,792.09	20.14	7,001,052.83	1.74	395,414,739.26	311,373,573.55	17.41	5,475,777.94	1.76	305,897,795.61
Total	1,998,162,170.00	100.00	46,264,058.80	2.32	1,951,898,111.20	1,788,505,988.34	100.00	45,357,950.96	2.54	1,743,148,037.38

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
Total (other customers)	518,861.41	518,861.41	100.00	Not expected to be recoverable	632,394.67	632,394.67	100.00	Not expected to be recoverable

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)	1,387,087,222.99	13,683,895.27	0.99	1,316,465,183.99	12,987,109.58	0.99
4 – 6 months (including 6 months)	154,113,975.73	7,684,234.86	4.99	104,277,454.99	5,122,907.33	4.91
7 – 12 months (including 12 months)	31,314,674.93	4,054,236.59	12.95	22,794,601.94	3,121,893.21	13.70
1 – 2 years	10,347,942.09	2,048,961.01	19.80	16,001,395.39	3,540,166.47	22.12
2 – 3 years	3,654,202.11	2,563,318.18	70.15	7,813,086.60	5,329,404.55	68.21
Over 3 years	8,709,498.65	8,709,498.65	100.00	9,148,297.21	9,148,297.21	100.00
Total	1,595,227,516.50	38,744,144.56	2.43	1,476,500,020.12	39,249,778.35	2.66

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)	330,771,232.80	3,348,773.18	1.01	256,834,635.61	2,526,508.31	0.98
4 – 6 months (including 6 months)	70,246,240.76	3,511,234.20	5.00	53,104,248.51	2,639,201.66	4.97
7 – 12 months (including 12 months)	1,398,318.53	141,045.45	10.09	1,298,430.77	173,809.31	13.39
Over 3 years	0.00	0.00	0.00	136,258.66	136,258.66	100.00
Total	402,415,792.09	7,001,052.83	1.74	311,373,573.55	5,475,777.94	1.76

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

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

4. Accounts receivables *(continued)*

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

	Amount of provision for bad debt
Balance at the Beginning of the Year	45,357,950.96
Provision for the Year	7,398,692.26
Recoveries or reversals during the Year	0.00
Write-off during the Year	6,482,570.48
Others	-10,013.94
	<hr/>
Balance at the End of the Year	46,264,058.80

As at 31 December 2021 and 31 December 2020, the Company 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
Total (domestic customers)	6,370,159.52
Total (overseas customers)	112,410.96

There are no significant accounts receivables written off.

(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 RMB202,012,288.24, representing 10.11% 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 RMB2,695,671.74.

(6) No accounts receivables of the Company has been derecognized due to the transfer of financial assets.

(7) The Company has no assets or liabilities formed by its continuous involvement of transferring accounts receivables.

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	269,876,161.63	96.01	133,930,367.63	94.20
1 – 2 years	7,066,773.78	2.51	6,668,785.74	4.69
2 – 3 years	3,869,319.78	1.38	538,448.27	0.38
Over 3 years	271,092.17	0.10	1,036,527.60	0.73
Total	281,083,347.36	100.00	142,174,129.24	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 RMB92,174,630.17, representing 32.79% 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
Other receivables	47,768,970.54	74,284,405.28

(1) Other 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	45,413,296.74	73,085,949.68
1 – 2 years	3,642,136.16	2,705,729.84
2 – 3 years	803,194.21	956,049.50
Over 3 years	8,022,936.65	7,845,272.86
Subtotal	57,881,563.76	84,593,001.88
Less: Provision for bad debt	10,112,593.22	10,308,596.60
Total	47,768,970.54	74,284,405.28

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

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

6. Other receivables (continued)

(1) Other receivables (continued)

② Disclosed by nature

Item	Balance at the End of the Year			Balance at the Beginning of the Year		
	Gross amount	Provision for bad debt	Gross amount	Gross amount	Provision for bad debt	Gross amount
Deposits under guarantee, deposits and lease expenses	5,551,394.52	1,767,930.36	3,783,464.16	4,695,982.35	1,380,899.03	3,315,083.32
Reserve fund and advances	17,316,076.03	2,251,004.95	15,065,071.08	18,878,001.60	2,326,764.94	16,551,236.66
Balance with associates	1,361,441.97	22,185.66	1,339,256.31	21,389,495.95	479,543.27	20,909,952.68
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	17,708,111.60	198,927.69	17,509,183.91	23,764,211.44	250,463.32	23,513,748.12
Amounts of exercised options	8,463,240.98	0.00	8,463,240.98	9,169,356.40	0.00	9,169,356.40
Others	2,481,298.66	872,544.56	1,608,754.10	1,695,954.14	870,926.04	825,028.10
Total	57,881,563.76	10,112,593.22	47,768,970.54	84,593,001.88	10,308,596.60	74,284,405.28

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	8,463,240.98	0.00	0.00	8,463,240.98	
Amounts of exercised options	8,463,240.98	0.00	0.00	8,463,240.98	Recoverable
Provision for bad debt on collective basis	0.00	0.00	0.00	0.00	—
Total	8,463,240.98	0.00	0.00	8,463,240.98	

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

6. Other receivables (continued)

(1) Other receivables (continued)

③ Provision for bad debt (continued)

At the End of the 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	43,445,470.87	9.53	4,139,741.31	39,305,729.56	
Export tax refund receivable	17,708,111.60	1.12	198,927.69	17,509,183.91	
Deposits under guarantee and security deposits and lease expenses	5,551,394.52	31.85	1,767,930.36	3,783,464.16	
Other receivables	20,185,964.75	10.76	2,172,883.26	18,013,081.49	
Total	43,445,470.87	9.53	4,139,741.31	39,305,729.56	

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	Not expected to be recoverable
Provision for bad debt on collective basis	0.00	0.00	0.00	0.00	—
Total	5,972,851.91	100.00	5,972,851.91	0.00	

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

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

6. Other receivables *(continued)*

(1) Other receivables *(continued)*

③ Provision for bad debt *(continued)*

As at 31 December 2020, the provision for bad debt was as follows:

As at 31 December 2020, 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	

As at 31 December 2020, 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)

(1) Other receivables (continued)

③ Provision for bad debt (continued)

As at 31 December 2020, the provision for bad debt in Step 3 was as follows:

Category	Gross amount	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on individual basis	5,972,851.91	100.00	5,972,851.91	0.00	
Other receivables	5,972,851.91	100.00	5,972,851.91	0.00	Not expected to be recoverable
Provision for bad debt on collective basis	0.00	0.00	0.00	0.00	—
Total	5,972,851.91	100.00	5,972,851.91	0.00	

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

Provision for bad debt	Step 1	Step 2	Step 3	Total
	Expected credit loss over the next 12 months	Expected credit loss over the lifetime (without impairment of credit)	Expected credit loss over the lifetime (with impairment of credit)	
Balance at the Beginning of the Year	0.00	4,335,744.69	5,972,851.91	10,308,596.60
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	-323,287.77	323,287.77	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	138,330.88	0.00	138,330.88
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 the Year	0.00	0.00	323,287.77	323,287.77
Other changes	0.00	-11,046.49	0.00	-11,046.49
Balance at the End of the Year	0.00	4,139,741.31	5,972,851.91	10,112,593.22

⑤ Other receivables that were actually written off during the Year

Item	Amount written off
Total (other customers)	323,287.77

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

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

6. Other receivables *(continued)*

(1) Other receivables *(continued)*

- ⑥ Top five balances of other receivables by debtors at the End of the 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	17,708,111.60	Within 1 year	30.59	198,927.69
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	8,463,240.98	Within 1 year	14.62	0.00
Guangzhou Galaxy Sunshine Biological Products Co., Ltd. (廣州銀河陽光生物製品有限公司)	Borrowings	5,000,000.00	Over 5 years	8.64	5,000,000.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Balance with associates	1,271,496.55	Within 1 year	2.20	21,233.99
Pioneer Time Investment Limited	Security deposits	818,242.01	1-2 years	1.41	163,648.40
Total	—	33,261,091.14	—	57.46	5,383,810.08

- ⑦ No accounts receivables of the Company has been derecognized due to the transfer of financial assets.
- ⑧ The Company has no assets or liabilities formed by its continuous involvement of transferring other receivables.

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	428,091,886.96	11,507,835.53	416,584,051.43	409,252,146.81	20,555,748.91	388,696,397.90
Packaging materials	103,247,170.25	5,944,927.96	97,302,242.29	44,697,655.81	6,432,624.89	38,265,030.92
Work in progress	331,128,522.51	2,377,922.65	328,750,599.86	211,526,923.16	0.00	211,526,923.16
Finished goods	720,783,765.61	25,085,777.21	695,697,988.40	784,336,751.24	27,934,585.19	756,402,166.05
Sub-contracting materials	2,251,074.26	0.00	2,251,074.26	1,863,102.15	0.00	1,863,102.15
Low-value consumables	50,310,247.98	67,356.68	50,242,891.30	18,794,613.89	60,456.04	18,734,157.85
Goods in transit	4,419,812.79	0.00	4,419,812.79	16,254,228.12	0.00	16,254,228.12
Consumable biological assets	12,342,303.96	0.00	12,342,303.96	11,511,335.81	0.00	11,511,335.81
Proprietary semi-finished goods	55,669,549.18	32,545.30	55,637,003.88	45,838,705.61	1,295,657.59	44,543,048.02
Total	1,708,244,333.50	45,016,365.33	1,663,227,968.17	1,544,075,462.60	56,279,072.62	1,487,796,389.98

(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	20,555,748.91	21,609,349.28	0.00	30,657,262.66	0.00	11,507,835.53
Packaging materials	6,432,624.89	1,524,181.91	0.00	2,011,878.84	0.00	5,944,927.96
Work in progress	0.00	2,377,922.65	0.00	0.00	0.00	2,377,922.65
Finished goods	27,934,585.19	30,878,101.67	0.00	33,726,909.65	0.00	25,085,777.21
Low-value consumables	60,456.04	16,399.95	0.00	9,499.31	0.00	67,356.68
Proprietary semi-finished goods	1,295,657.59	774,274.64	0.00	2,037,386.93	0.00	32,545.30
Total	56,279,072.62	57,180,230.10	0.00	68,442,937.39	0.00	45,016,365.33

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

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

7. Inventories *(continued)*

(2) Provision for diminution in value of inventories *(continued)*

Item	Basis for determination of net realizable value/remaining consideration and costs to be incurred	Reason for reversal or write-off of provision for diminution in value of inventories/provision for impairment in contract performance cost for the 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	–
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	317,381.23	11,414,376.07

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	1,949,395.18	4,127,730.39
Remaining VAT credit	35,453,378.46	27,022,139.55
Advance payment of income tax	20,082,816.84	8,712,739.55
Other	139,035.68	0.00
Total	57,624,626.16	39,862,609.49

10. Long-term receivables

(1) Long-term receivables by nature

Item	Balance at the End of the Year			Balance at the Beginning of the Year			Range of discount rate
	Gross amount	Provision for bad debt	Carrying amount	Gross amount	Provision for bad debt	Carrying amount	
Receivables from equity transferred by installments	0.00	0.00	0.00	10,967,767.26	0.00	10,967,767.26	5.00%
Amount under finance lease	584,285.36	0.00	584,285.36	1,030,893.17	0.00	1,030,893.17	4.75%
Subtotal	584,285.36	0.00	584,285.36	11,998,660.43	0.00	11,998,660.43	
Less: Long-term receivables due within 1 year	317,381.23	0.00	317,381.23	11,414,376.07	0.00	11,414,376.07	
Total	266,904.13	0.00	266,904.13	584,284.36	0.00	584,284.36	

(2) The Company's long-term receivables have not been overdue.

(3) No long-term receivables of the Company has been derecognised due to transfer of financial assets.

(4) The Company has no assets or liabilities formed by its continuous involvement of transferring long-term receivables.

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

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

11. Long-term equity investments

Investee	Balance at the Beginning of the Year	Change during the Year							Balance at the End of the Year	Balance of provision for impairment at the End of the Year	
		Acquired/ additional investment	Decrease in investment	Investment profit and loss under equity method	Adjustment in other comprehensive income	Other equity changes	Cash dividend or profit distribution declared	Provision for impairment			Others
Associates											
Livzon Medical Electronic Equipment (Plant) Co., Ltd. (麗珠集團麗珠醫用電子設備有限公司)	1,200,000.00	0.00	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)	72,271,987.53	0.00	0.00	17,232,604.65	0.00	0.00	0.00	0.00	11,475,000.00	0.00	78,029,592.18
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	1,080,543.04	0.00	0.00	141,855.85	0.00	0.00	0.00	0.00	0.00	0.00	1,222,398.89
AbCye Therapeutics Inc	16,183,551.42	0.00	0.00	-1,028,841.46	0.00	0.00	0.00	0.00	0.00	0.00	15,154,709.96
L&L Biopharma, Co., Ltd. (上海健信生物醫藥科技有限公司)	14,024,119.09	0.00	0.00	-1,650,109.20	0.00	2,658,626.68	0.00	-145,798.11	0.00	0.00	14,886,838.46
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	31,649,784.72	0.00	0.00	-18,179,141.47	-30,268.27	69,715,182.18	0.00	0.00	0.00	0.00	83,155,557.16
Aetio Biotherapy, Inc.	17,647,744.60	0.00	0.00	-1,619,256.12	0.00	0.00	0.00	0.00	0.00	0.00	16,028,488.48
Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. (河南省健元生物醫藥研究院有限公司)	21,997,148.70	0.00	0.00	-4,902,765.37	0.00	0.00	0.00	0.00	0.00	0.00	17,094,383.33
Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd. (江蘇新元藥業科技有限公司)	70,260,600.00	0.00	0.00	-2,351,992.02	0.00	0.00	0.00	0.00	0.00	0.00	67,908,607.98
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	0.00	724,000,000.00	0.00	52,620,894.45	14,820,196.44	148,673.03	40,040,000.00	0.00	0.00	0.00	751,549,763.92
Beijing Infinite Intelligence Pharmaceutical Technology Co., Ltd. (北京英飛智藥科技有限公司)	0.00	20,000,000.00	0.00	-1,199,311.93	0.00	1,137,221.57	0.00	0.00	0.00	0.00	19,937,909.64
Total	246,315,479.10	744,000,000.00	0.00	39,063,937.38	14,789,928.17	73,659,703.46	51,515,000.00	0.00	-145,798.11	0.00	1,066,168,250.00

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

11. Long-term equity investments (continued)

Note 1: Other equity changes of L&L Biopharma Co., Ltd. (上海健信生物醫藥科技有限公司) and Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司) are non-proportional capital increase, and the Company's share of such changes was calculated in proportion to its equity interest.

Note 2: In April 2021, the Company entered into the Share Transfer Agreement in relation to Tianjin Tongrentang Group Co., Ltd. with Tianjin Tasly Healthcare Industry Investment Partnership (Limited Partnership) (天津天士力健康產業投資合夥企業(有限合夥)) ("Tianjin Tasly"), the Company shall acquire 44,000,000 shares of Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) ("Tianjin Tongrentang") held by Tianjin Tasly, representing 40.00% of the total number of shares of Tianjin Tongrentang at the consideration of RMB724 million. On 27 April 2021, the Company obtained the Confirmation Letter for Securities Transfer and Registration from China Securities Depository and Clearing Co., Ltd. confirming the Company had acquire 40.00% equity of Tianjin Tongrentang.

Note 3: In February 2021, Zhuhai Livzon Pharmaceutical Equity Investment Management Co., Ltd. (珠海市麗珠醫藥股權投資管理有限公司), the subsidiary of the Company ("Equity Investment Company") entered into the Shareholder Agreement with Beijing Infinite Intelligence Pharmaceutical Technology Co., Ltd. (北京英飛智藥科技有限公司)("Infinite Intelligence Pharma"), Equity Investment Company contribute a total of RMB20,000,000 to hold 11.7647% equity of Infinite Intelligence Pharma. According to the Shareholder Agreement and the provisions of the articles of association, Equity Investment Company shall appoint one director to Infinite Intelligence Pharma. Since the Equity Investment Company can have a significant impact on Infinite Intelligence Pharma, the investment in Infinite Intelligence Pharma will be accounted as long-term equity investment; Other changes in equity shall be non-proportional capital increase which is calculated according to the shareholding ratio of the Equity Investment Company. After the capital increase, the shareholding ratio of the Equity Investment Company shall become 10.989%.

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)	164,395,200.00	170,772,300.00
GLOBAL HEALTH SCIENCE	235,133,216.46	246,837,324.35
SCC VENTURE VI 2018-B,L.P.	6,615,626.07	13,823,660.49
SCC VENTURE VII 2018-C,L.P.	0.00	176,752,020.58
Nextech V Oncology S.C.S., SICAV-SIF	30,667,263.04	29,583,312.39
Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物醫藥(上海)有限公司)	59,999,953.41	30,000,000.00
ELICIO THERAPEUTICS, INC.	31,878,510.16	32,624,491.32
CARISMA THERAPEUTICS, INC	31,876,936.63	32,622,880.98
Beijing Luzhu Biotechnology Co., Ltd. (北京綠竹生物技術股份有限公司)	41,944,015.67	0.00
Shanghai Keentai Biotechnology Co., Ltd. (上海科恩泰生物醫藥科技有限公司)	12,000,000.00	0.00
Other	15,403,822.93	9,958,802.04
Total	629,914,544.37	742,974,792.15

As the aforesaid project is a long-term investment that the Company plans to hold for strategic purposes, the Company designates it as a financial asset measured at fair value through other comprehensive income.

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

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

12. Other equity instrument investments *(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	137,631,513.65	Corporate lapsed and investment withdrawn
Nextech V Oncology S.C.S., SICAV-SIF	20,688,994.02	0.00	0.00	0.00	—
Yizun Biopharmaceuticals (Shanghai) Co., Ltd. (羿尊生物醫藥(上海)有限公司)	0.00	0.00	0.00	0.00	—
ELICIO THERAPEUTICS, INC.	0.00	0.00	0.00	0.00	—
CARISMA THERAPEUTICS, INC	0.00	0.00	0.00	0.00	—
Other	25,000.00	0.00	0.00	34,295,275.82	Disposal
Total	20,713,994.02	0.00	0.00	171,926,789.47	

13. Fixed assets

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Fixed assets	3,669,728,093.97	3,303,077,566.22
Disposal of fixed assets	0.00	0.00
Total	3,669,728,093.97	3,303,077,566.22

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	2,991,263,340.43	2,772,137,011.87	74,726,668.66	401,901,079.77	6,240,028,100.73
2. Addition during the Year	159,479,091.88	506,082,679.54	5,808,527.15	120,770,638.14	792,140,936.71
(1) Acquisition	17,564,919.99	131,074,528.37	5,414,254.74	86,229,308.28	240,283,011.38
(2) Construction in progress transferred	141,914,171.89	375,008,151.17	394,272.41	34,541,329.86	551,857,925.33
3. Decrease during the Year	6,824,811.95	60,749,835.07	5,155,395.57	25,832,855.93	98,562,898.52
(1) Disposal or written off	6,824,811.95	60,749,835.07	4,780,769.44	25,463,063.28	97,818,479.74
(2) Change in scope of consolidation	0.00	0.00	0.00	345,584.98	345,584.98
(3) Others	0.00	0.00	374,626.13	24,207.67	398,833.80
4. Balance at the End of the Year	3,143,917,620.36	3,217,469,856.34	75,379,800.24	496,838,861.98	6,933,606,138.92
II. Accumulated depreciation					
1. Balance at the Beginning 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
2. Addition during the Year	143,219,587.86	216,165,641.27	7,215,446.67	40,284,215.48	406,884,891.28
(1) Provision	143,219,587.86	216,165,641.27	7,215,446.67	40,284,215.48	406,884,891.28
3. Decrease during the Year	1,074,216.60	48,061,136.69	4,587,023.14	19,165,272.59	72,887,649.02
(1) Disposal or written-off	1,074,216.60	48,061,136.69	4,226,072.14	19,054,198.21	72,415,623.64
(2) Change in scope for consolidation	0.00	0.00	0.00	86,866.71	86,866.71
(3) Others	0.00	0.00	360,951.00	24,207.67	385,158.67
4. Balance at the End of the Year	1,218,610,625.65	1,661,188,155.68	56,530,426.24	280,067,297.49	3,216,396,505.06
III. Provision for impairment					
1. Balance at the Beginning of the Year	21,464,209.68	31,654,683.69	77,435.52	1,354,942.82	54,551,271.71
2. Additions during the Year	0.00	189,509.97	0.00	12,501.90	202,011.87
(1) Provision	0.00	189,509.97	0.00	12,501.90	202,011.87
3. Amount decrease during the Year	55,196.03	6,953,249.93	35,856.87	227,440.86	7,271,743.69
(1) Disposal or written-off	55,196.03	6,953,249.93	35,856.87	227,440.86	7,271,743.69
4. Balance at the End of the Year	21,409,013.65	24,890,943.73	41,578.65	1,140,003.86	47,481,539.89
IV. Carrying amount					
1. Carrying amount at the End of the Year	1,903,897,981.06	1,531,390,756.93	18,807,795.35	215,631,560.63	3,669,728,093.97
2. Carrying amount at the Beginning 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

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

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

13. Fixed assets *(continued)*

(1) Fixed assets *(continued)*

② Temporary idled fixed assets

Item	Original book value	Accumulated depreciation	Provision for impairment	Carrying amount	Remarks
Plant and building	14,243,288.67	10,052,890.85	0.00	4,190,397.82	
Machinery and equipment	30,929,327.38	25,936,736.46	1,364,571.42	3,628,019.50	
Electronic devices and others	797,039.23	747,257.47	0.00	49,781.76	
Total	45,969,655.28	36,736,884.78	1,364,571.42	7,868,199.08	

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	598,784.77

⑤ Fixed assets pending for certificate of ownership

Item	Carrying amount	Reasons for pending for certificate of ownership
Plant and building	164,085,277.01	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	554,575,587.48	385,700,738.39
Construction supplies	0.00	0.00
Total	554,575,587.48	385,700,738.39

(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)	179,745,064.48	0.00	179,745,064.48	64,845,632.88	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)	36,580,114.83	0.00	36,580,114.83	95,851,873.91	0.00	95,851,873.91
Project of Shijiao New Factory (石角新廠項目)	61,845,397.73	0.00	61,845,397.73	154,752,745.97	0.00	154,752,745.97
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	19,579,452.17	0.00	19,579,452.17	16,500,619.41	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)	15,616,651.12	0.00	15,616,651.12	7,805,534.78	0.00	7,805,534.78
P06 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P06 建設項目)	83,020,966.01	0.00	83,020,966.01	1,559,405.27	0.00	1,559,405.27
Project of lyophilized powder injection workshop (凍乾粉針車間項目)	70,673,332.62	0.00	70,673,332.62	8,495,072.05	0.00	8,495,072.05
P09 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P09 建設項目)	54,924,595.61	0.00	54,924,595.61	307,744.41	0.00	307,744.41
P04/P05 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P04/P05 建設項目)	257,441.66	0.00	257,441.66	0.00	0.00	0.00
Technology transformation project for Microsphere Phase II of Shanghai Livzon (上海麗珠微球二期技改項目)	10,123,776.54	0.00	10,123,776.54	0.00	0.00	0.00
Others	22,378,135.17	169,340.46	22,208,794.71	35,751,450.17	169,340.46	35,582,109.71
Total	554,744,927.94	169,340.46	554,575,587.48	385,870,078.85	169,340.46	385,700,738.39

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

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

14. Construction in progress (continued)

(1) Construction in progress (continued)

② Changes of significant construction in progress

Name of Project	Balance	Additions during the Year	Transferred to fixed assets	Other deductions	Accumulated amount of capitalized interest	Of which:		Balance at the End of the Year
	at the Beginning of the Year					Amount of interest capitalized for the Year	Interest capitalization rate for the Year (%)	
Guangda New Factory Project (光大新廠項目)	64,845,632.88	114,899,431.60	0.00	0.00	0.00	0.00	0.00	179,745,064.48
Fuxing Company Phase I & II Projects and others (福興公司一、二期項目及其他)	95,851,873.91	73,773,985.30	133,045,744.38	0.00	0.00	0.00	0.00	36,580,114.83
Project of Shijiao New Factory (石角新廠項目)	154,752,745.97	65,846,744.88	158,754,093.12	0.00	0.00	0.00	0.00	61,845,397.73
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	16,500,619.41	44,486,202.38	41,407,369.62	0.00	0.00	0.00	0.00	19,579,452.17
Construction Project for Microsphere Workshop (including Gose) of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間(含戈舍)建設項目)	7,805,534.78	10,557,699.98	2,746,583.64	0.00	0.00	0.00	0.00	15,616,651.12
P06 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P06 建設項目)	1,559,405.27	81,461,560.74	0.00	0.00	0.00	0.00	0.00	83,020,966.01
Project of lyophilized powder injection workshop (凍乾粉針車間項目)	8,495,072.05	62,178,260.57	0.00	0.00	0.00	0.00	0.00	70,673,332.62
P09 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P09 建設項目)	307,744.41	203,607,526.48	148,990,675.28	0.00	0.00	0.00	0.00	54,924,595.61
P04/P05 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P04/P05 建設項目)	0.00	257,441.66	0.00	0.00	0.00	0.00	0.00	257,441.66
Technology transformation project for Microsphere Phase II of Shanghai Livzon (上海麗珠微球二期技改項目)	0.00	10,123,776.54	0.00	0.00	0.00	0.00	0.00	10,123,776.54
Others	35,751,450.17	56,608,456.35	66,913,459.29	3,068,312.06	0.00	0.00	0.00	22,378,135.17
Total	385,870,078.85	723,801,086.48	551,857,925.33	3,068,312.06	0.00	0.00	0.00	554,744,927.94

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		Sources of funds
		budgeted amount (%)	Construction progress (%)	
Guangda New Factory Project (光大新廠項目)	646,000,000.00	27.82	28.00	Self-funding
Fuxing Company Phase I & II Projects and others (福興公司一、二期項目及其他)	378,090,800.00	67.07	67.00	Self-funding
Project of Shijiao New Factory (石角新廠項目)	377,005,000.00	59.88	60.00	Self-funding and raised funds
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	306,558,388.48	38.01	38.00	Self-funding
Construction Project for Microsphere Workshop (including Gose) of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間(含戈舍)建設項目)	262,445,000.00	53.95	54.00	Self-funding and raised funds
P06 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P06 建設項目)	117,710,000.00	70.53	71.00	Self-funding
Project of lyophilized powder injection workshop (凍乾粉針車間項目)	143,500,000.00	49.25	49.00	Self-funding and raised funds
P09 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P09 建設項目)	296,580,000.00	68.76	69.00	Self-funding
P04/P05 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠 P04/P05 建設項目)	126,880,000.00	0.20	0.20	Self-funding
Technology transformation project for Microsphere Phase II of Shanghai Livzon (上海麗珠微球二期技改項目)	40,500,000.00	25.00	25.00	Self-funding
Others	-	-	-	Self-funding
Total	2,695,269,188.48	-	-	-

Other deduction mainly refers to transfer of long-term deferred expenses.

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

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

15. Right-of-use assets

Item	Plant and building	Total
I. Original book value:		
1. Balance at the Beginning of the Year	30,597,396.76	30,597,396.76
2. Addition during the Year	16,525,796.79	16,525,796.79
(1) Leasing	16,525,796.79	16,525,796.79
3. Decrease during the Year	15,382,297.07	15,382,297.07
4. Balance at the End of the Year	31,740,896.48	31,740,896.48
II. Accumulated depreciation		
1. Balance at the Beginning of the Year	12,286,018.69	12,286,018.69
2. Addition during the Year	20,248,852.26	20,248,852.26
(1) Provision	20,248,852.26	20,248,852.26
3. Decrease during the Year	15,382,297.07	15,382,297.07
4. Balance at the End of the Year	17,152,573.88	17,152,573.88
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	14,588,322.60	14,588,322.60
2. Carrying amount at the Beginning of the Year	18,311,378.07	18,311,378.07

During the Year, the Company recognized lease expenses related to short-term leases and the leases of low-value assets of RMB6.5864 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	226,455,896.05	55,656,354.38	24,000.00	10,985,294.53	560,961,163.22
2. Additions for the Year	0.00	41,903,618.64	6,293,871.81	4,716.98	0.00	48,202,207.43
(1) Acquisition	0.00	0.00	6,293,871.81	4,716.98	0.00	6,298,588.79
(2) Internal R&D	0.00	41,903,618.64	0.00	0.00	0.00	41,903,618.64
3. Decrease for the Year	0.00	8,562,500.97	100,796.46	0.00	0.00	8,663,297.43
(1) Disposal	0.00	1,895,833.97	100,796.46	0.00	0.00	1,996,630.43
(2) Change in scope of consolidation	0.00	6,666,667.00	0.00	0.00	0.00	6,666,667.00
4. Balance at the End of the Year	267,839,618.26	259,797,013.72	61,849,429.73	28,716.98	10,985,294.53	600,500,073.22
II. Accumulated amortization						
1. Balance at the Beginning 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
2. Additions for the Year	4,996,554.49	7,760,072.68	4,282,211.58	196.55	1,098,529.45	18,137,564.75
(1) Provision	4,996,554.49	7,760,072.68	4,282,211.58	196.55	1,098,529.45	18,137,564.75
3. Decrease for the Year	0.00	2,395,834.01	51,238.93	0.00	0.00	2,447,072.94
(1) Disposal	0.00	1,895,833.97	51,238.93	0.00	0.00	1,947,072.90
(2) Change in scope of consolidation	0.00	500,000.04	0.00	0.00	0.00	500,000.04
4. Balance at the End of the Year	87,279,651.56	194,460,431.65	41,681,441.05	24,196.55	5,584,191.37	329,029,912.18
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
3. Decrease for the Year	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	179,578,139.76	55,127,415.31	20,167,988.68	4,520.43	5,401,103.16	260,279,167.34
2. Carrying amount at the Beginning 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

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 9.95%.

(2) Intangible assets pending for certificates of ownership

Item	Carrying amount	Reasons for pending for certificate of ownership
Land use rights	4,164,314.22	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.

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

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

17. Development Expenditure

Item	Balance at the Beginning of the Year	Increase in the 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	213,261,084.53	51,186,161.19	0.00	38,805,707.06	12,539,408.55	213,102,130.11
Chemical drug preparation	38,128,125.04	12,194,293.23	0.00	3,097,911.58	0.00	47,224,506.69
Vaccines	0.00	314,172,937.62	0.00	0.00	0.00	314,172,937.62
Total	251,389,209.57	377,553,392.04	0.00	41,903,618.64	12,539,408.55	574,499,574.42

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, biologics and vaccines	Clinical trial	Obtain approval for clinical trial and evaluated by the Company	Clinical stage

18. Goodwill

(1) Original book value of goodwill

Name of investee or matter from which goodwill arose	Balance at the Beginning of the Year	Increase in the 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 79.53%-83.04% and a business revenue growth rate of 0~34.57% as well as a cash flow discount rate of 14.72%. The management took into account historical conditions and predictions for future market development in making the above assumptions.

For the calculation of estimated present value of future cash flow of the asset groups related to goodwill of Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司), key assumptions are a gross margin of 61.89%-65.43% and a business revenue growth rate of 0~15.66% as well as a cash flow discount rate of 15.15%. The management took into account historical conditions and predictions for future market development in making the above assumptions.

For the calculation of estimated present value of future cash flow of the asset groups related to goodwill of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司), key assumptions are a gross margin of 57.90%-63.92% and a business revenue growth rate of 0~9.53% as well as a cash flow discount rate of 15.04%. The management took into account historical conditions and predictions for future market development in making above assumptions.

As tested, the management of the Company expects that no impairment provision is needed during the Reporting Period.

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

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

19. Long-term deferred expenses

Item	Balance at the Beginning of the Year	Increase during the Year	Decrease during the Year		Balance at the End of the Year
			Amortisation for the Year	Other decrease	
Renovation costs of offices	22,871,369.89	7,585,888.80	3,221,590.49	636,080.74	26,599,587.46
Renovation costs of plants	76,601,849.05	6,780,069.68	8,612,198.00	38,348.62	74,731,372.11
Resins and fillers	12,877,243.29	10,414,120.81	11,299,973.66	0.00	11,991,390.44
License fee	7,468,842.63	7,110,961.97	1,802,045.74	0.00	12,777,758.86
Others	2,282,467.72	2,659,812.47	1,131,867.46	0.00	3,810,412.73
Total	122,101,772.58	34,550,853.73	26,067,675.35	674,429.36	129,910,521.60

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	191,603,446.21	30,344,548.62	205,356,430.84	32,323,935.29
Accrued expenses	184,336,656.34	27,892,985.40	331,698,969.35	50,732,600.47
Deductible losses	409,874,264.86	63,094,665.02	82,722,927.16	12,497,349.09
Deferred income	241,367,475.43	36,223,121.32	256,049,280.06	38,427,392.00
Unrealized gains from intra-company transactions	377,968,679.83	56,740,686.84	527,419,759.41	79,324,386.26
Share incentive costs	72,224,018.66	10,836,828.87	48,355,411.54	7,258,101.73
Changes in fair value	6,918,505.67	1,158,336.82	5,004.11	1,229.82
Other deductible temporary difference	176,023,429.17	26,403,514.38	117,745,297.25	17,661,794.59
Subtotal	1,660,316,476.17	252,694,687.27	1,569,353,079.72	238,226,789.25
Deferred income tax liabilities:				
Valuation of financial instruments held for trading and derivative financial instruments	18,105,558.19	2,935,580.59	16,492,776.21	3,013,647.66
Changes in fair value of other equity instruments through other comprehensive income	176,694,184.68	31,294,171.24	290,595,798.40	46,516,608.63
Accelerated depreciation of fixed assets	752,180,706.08	114,114,492.09	564,348,918.93	85,208,619.02
Unrealized gains from intra-company transactions	56,940,000.00	8,541,000.00	56,940,000.00	8,541,000.00
Subtotal	1,003,920,448.95	156,885,243.92	928,377,493.54	143,279,875.31

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	151,223,839.16	293,350,409.60
Deductible losses	1,332,176,863.60	1,061,605,111.16
Total	1,483,400,702.76	1,354,955,520.76

(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
2021	0.00	93,908,149.76	
2022	128,253,709.00	132,891,957.05	
2023	176,728,053.24	177,946,621.74	
2024	383,514,201.98	383,554,848.28	
2025	249,350,933.70	266,868,262.30	
2026	373,305,346.92	0.00	
Indefinite	21,024,618.76	6,435,272.03	
Total	1,332,176,863.60	1,061,605,111.16	

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

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

21. Other non-current assets

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Remaining VAT credit	56,384,552.60	33,826,183.51
Prepayment for acquisition of project and equipment	324,600,274.91	241,125,619.01
Prepayment for acquisition of technical know-how	63,368,017.61	41,553,749.30
Total	444,352,845.12	316,505,551.82

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	1,191,402,152.77	1,350,000,000.00
Loans on guarantee	851,645,870.94	200,942,804.06
Total	2,043,048,023.71	1,550,942,804.06

For details of guarantees, please refer to Note X. 5(4) Related party guarantees.

(2) The Company has no overdue but outstanding short-term loans.

23. Financial liabilities held for trading

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Financial liabilities held for trading	143,302.24	212.07
Of which:		
Derivative financial liabilities	143,302.24	212.07
Total	143,302.24	212.07

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	1,026,619,858.93	918,007,030.57

The Company 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)	569,811,748.29	571,910,893.64
4 – 6 months (including 6 months)	78,398,915.35	55,177,594.94
7 – 12 months (including 12 months)	93,407,857.60	29,908,123.16
1 – 2 years (including 2 years)	30,816,426.65	19,734,976.50
Over 2 years	18,244,753.40	30,055,369.43
Total	790,679,701.29	706,786,957.67

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	144,546,813.74	99,490,312.51
Over 1 year	23,249,955.08	4,955,114.75
Total	167,796,768.82	104,445,427.26

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 RMB63,855,830.99.

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

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

27. Employee benefits payables

Item	Balance at the Beginning of the Year	Increase in the Year	Decrease in the Year	Balance at the End of the Year
Short-term remuneration	361,975,212.83	1,235,501,635.81	1,301,997,301.45	295,479,547.19
Post-resignation benefits – defined contribution plans	0.00	83,013,163.79	82,990,960.09	22,203.70
Dismissal benefits	1,441,038.00	742,255.53	900,551.53	1,282,742.00
Total	363,416,250.83	1,319,257,055.13	1,385,888,813.07	296,784,492.89

(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	242,865,494.55	1,038,878,294.16	1,052,642,099.76	229,101,688.95
Employee welfare	791,889.74	47,605,437.39	47,368,035.02	1,029,292.11
Social insurance fees	0.00	43,188,137.13	43,142,440.37	45,696.76
Including:				
1. Medical insurance fees	0.00	37,198,070.47	37,152,527.01	45,543.46
2. Work-related injury insurance fees	0.00	2,540,579.07	2,540,425.77	153.30
3. Maternity insurance fees	0.00	3,449,487.59	3,449,487.59	0.00
Housing provident fund	794,482.00	38,008,637.44	38,568,071.44	235,048.00
Labour union fees and employee education fees	62,255.75	2,855,659.10	2,815,564.86	102,349.99
Special funds of the share ownership scheme	117,461,090.79	64,965,470.59	117,461,090.00	64,965,471.38
Total	361,975,212.83	1,235,501,635.81	1,301,997,301.45	295,479,547.19

(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	0.00	83,013,163.79	82,990,960.09	22,203.70
Including:				
1. Basic pension insurance fees	0.00	80,572,508.47	80,551,192.97	21,315.50
2. Unemployment insurance fees	0.00	2,440,655.32	2,439,767.12	888.20
Total	0.00	83,013,163.79	82,990,960.09	22,203.70

The Company participates in pension insurance and unemployment insurance plans established by the government in accordance with relevant requirements. According to the plans, the Company makes contributions to these plans in accordance with relevant requirements of the local government. Save for the above contributions, the Company no longer undertakes further payment obligation. The corresponding cost is charged to the profit or loss for the current period or the cost of relevant assets when it occurs.

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

28. Taxes payables

Taxes	Balance at the End of the Year	Balance at the Beginning of the Year
Value added tax	44,337,454.51	51,689,249.26
Urban maintenance and construction tax	4,802,713.91	5,019,522.87
Enterprise income tax	97,452,600.10	179,505,599.65
Property tax	1,716,303.78	2,879,722.25
Land use tax	815,872.35	961,020.56
Individual income tax	6,647,280.12	4,154,893.72
Stamp duty	460,894.13	509,959.58
Education surcharges	2,945,205.26	3,461,056.79
Flood prevention fees	20,300.76	20,300.76
Others	1,186,627.07	614,582.50
Total	160,385,251.99	248,815,907.94

29. Other payables

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Dividends payable	6,951,984.46	8,418,590.50
Other payables	2,409,888,983.64	2,167,249,652.65
Total	2,416,840,968.10	2,175,668,243.15

(1) Dividends payable

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Dividends on ordinary shares	20,174.46	20,174.46
Qingyuan Xinbeijiang (Group) Company (清遠新北江企業(集團)公司)	1,200,710.00	1,200,710.00
Other legal persons and individual shares of subsidiaries	3,311,300.00	3,311,300.00
Staff shares of subsidiaries	2,419,800.00	2,419,800.00
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	1,466,606.04
Total	6,951,984.46	8,418,590.50

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

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

29. Other payables *(continued)*

(1) Dividends payable *(continued)*

Important dividends payable outstanding over 1 year:

Name of shareholder	Amount of dividends payable	Reason for non-payment
Qingyuan Xinbeijiang (Group) Company (清遠新北江企業(集團)公司)	1,200,710.00	Not yet paid
Other legal persons and individual shares of subsidiaries	3,311,300.00	Not yet paid
Staff shares of subsidiaries	2,419,800.00	Not yet paid
Total	6,931,810.00	—

(2) Other payables

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Office expenses	66,336,710.07	54,635,910.63
Deposits under guarantees	74,812,102.32	77,967,267.29
Business promotion expenses	1,356,176,259.20	1,161,104,890.76
Technology transfer funds	10,000,000.00	10,072,731.53
Balance with associates	9,908,703.16	5,695,618.89
Accrued expenses	860,353,775.21	817,488,106.66
Others	32,301,433.68	40,285,126.89
Total	2,409,888,983.64	2,167,249,652.65

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	17,799,443.58	23,215,689.01	Not yet settled
Research expenses	121,414,153.46	28,919,052.18	Not yet settled
Business promotion expenses	655,439,797.51	698,563,270.01	Not yet settled
Advertising expenses	0.00	266,371.28	Not yet settled
Business meeting expenses	9,739,714.86	11,735,159.40	Not yet settled
Advisory, consultancy and information disclosure expenses	3,431,035.77	2,555,835.79	Not yet settled
Others	52,529,630.03	52,232,728.99	Not yet settled
Total	860,353,775.21	817,488,106.66	

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	9,284,335.86	8,539,077.05

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	13,485,363.41	6,267,034.79

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	636,780,252.78	3.55%-3.60%	360,324,027.48	3.55%-3.60%
Subtotal	636,780,252.78		360,324,027.48	
Less: Long-term loans due within 1 year	0.00		0.00	
Total	636,780,252.78		360,324,027.48	

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

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

33. Lease liabilities

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Amount payable under lease	14,558,576.66	18,638,102.47
Less: Lease liabilities due within one year	9,284,335.86	8,539,077.05
Total	5,274,240.80	10,099,025.42

In 2021, the amount of interest expenses of lease liabilities was RMB2.1684 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	276,141,923.64	34,742,373.61	52,001,304.79	258,882,992.46	

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	78,000,000.00

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

36. Share capital

2021

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	Subtotal	Amount	Percentage (%)
I. Shares subject to selling restrictions									
1. State-owned shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. State-owned legal person shares	17,306,329	1.83	0.00	0.00	0.00	0.00	0.00	17,306,329	1.85
3. Other domestic shares	2,322,294	0.25	179,241	0.00	0.00	0.00	179,241	2,501,535	0.26
Of which: Domestic legal person shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Domestic natural person shares	2,322,294	0.25	179,241	0.00	0.00	0.00	179,241	2,501,535	0.26
Funds and wealth management products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Foreign shares	30,420	0.00	22,815	0.00	0.00	0.00	22,815	53,235	0.01
Of which: Overseas legal person shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Overseas natural person shares	30,420	0.00	22,815	0.00	0.00	0.00	22,815	53,235	0.01
Shares subject to selling restrictions in aggregate	19,659,043	2.08	202,056	0.00	0.00	0.00	202,056	19,861,099	2.12
II. Shares not subject to selling restrictions									
1. Ordinary shares denominated in renminbi	605,312,136	64.07	5,550,077	0.00	0.00	-6,093,808	-543,731	604,768,405	64.48
2. Domestically listed foreign shares (B-share)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Overseas listed foreign shares (H-share)	319,864,217	33.85	0.00	0.00	0.00	-6,628,600	-6,628,600	313,235,617	33.40
4. Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares not subject to selling restrictions in aggregate	925,176,353	97.92	5,550,077	0.00	0.00	-12,722,408	-7,172,331	918,004,022	97.88
III. Total number of shares	944,835,396	100.00	5,752,133	0.00	0.00	-12,722,408	-6,970,275	937,865,121	100.00

According to the relevant requirements of the Guidelines of Standardized Operation for Companies Listed on the Main Board of the Shenzhen Stock Exchange (深交所主板上市公司規範運作指引), there are 2,554,770 locked shares held by the senior management.

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

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

36. Share capital (continued)

2020

Item	Balance at the Beginning of the Year		Issuance of new shares	Changes for the Year(+ -)			Subtotal	Balance at the End of the Year	
	Amount	Percentage (%)		No. of bonus shares	Reserve fund capitalized	Others		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)*

37. Capital reserve

2021

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	1,456,572,347.73	385,754,556.35	404,313,075.43	1,438,013,828.65
Other capital reserve	103,797,369.96	94,408,952.00	6,863,576.27	191,342,745.69
Total	1,560,369,717.69	480,163,508.35	411,176,651.70	1,629,356,574.34

The increase in the share premium in the Year represented: ① an increase in share premium of RMB196,099,577.31 as a result of the effective exercise of 5,752,133 share options during the Year, and the provision for share incentive expenses in the amount of RMB6,863,576.27 was transferred from other capital reserve into share premium; ② upon the exercise of share options, pursuant to the taxation rules, the difference between deductible expenses before taxation and the amount of provision reduced income tax payable by RMB8,830,928.38, the share premium was increased accordingly; ③ the increase in share premium by transfer of overseas financing to domestic and disproportionate capital decrease to a subsidiary due to the difference of RMB173,960,474.39 between the capital contribution and the corresponding share of net assets of the subsidiary. The decrease in the share premium for the Year represented the decrease in share premium caused by cancellation of 12,722,408 repurchased shares.

Other capital reserve increase for the Year includes: ① withdrawal of share incentive expenses of RMB21,942,174.33; ② capital reserve increase of RMB72,466,777.67 due to changes in shareholding percentage of the Company as well as other changes in equity caused by disproportionate capital increase under the equity method. The decrease in other capital reserve during the Year represented: ① the amount of RMB6,863,576.27 was transferred to share premium.

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.

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

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

37. Capital reserve *(continued)*

2020 *(continued)*

Other capital reserve increased in the Year represent: ① the increase in share incentive expenses of RMB24,091,833.13; ② capital reserve increase of RMB21,897,538.85 due to changes in shareholding percentage of the Company as well as other changes in equity caused by disproportionate capital increase under the equity method. The decrease in other capital reserve during the 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.

38. Treasury shares

2021

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 and H Shares	250,061,413.16	238,183,561.27	417,035,483.43	71,209,491.00

The increase in treasury shares during the Year: the repurchase of the total amount of capital used for 10,033,000 H Shares through centralized bidding transactions by the Company. The decrease in treasury shares during the Year: the cancellation of repurchased 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).

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
39. Other comprehensive income
2021

Item	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	Amount for the Year			Balance at the End of the Year ⁽³⁾⁼⁽¹⁾⁺⁽²⁾
				Less: income tax expenses	Attributable to parent company after tax ⁽²⁾	Attributable to minority interests after tax	
I. Other comprehensive income not to be reclassified into profit or loss	241,169,897.47	97,831,789.14	171,926,789.47	16,903,365.05	-98,393,505.09	7,395,139.71	142,776,392.38
1. Other comprehensive income not to be reclassified into profit or loss under equity method	0.00	14,820,196.44	0.00	0.00	14,820,196.44	0.00	14,820,196.44
2. Change in fair value of investments in other equity instruments	241,169,897.47	83,011,592.70	171,926,789.47	16,903,365.05	-113,213,701.53	7,395,139.71	127,956,195.94
II. Other comprehensive income to be reclassified into profit or loss	-71,186,096.91	-26,204,752.16	0.00	0.00	-25,041,297.77	-1,163,454.39	-96,227,394.68
1. Other comprehensive income to be reclassified into profit or loss under equity method	115,066.72	-30,268.27	0.00	0.00	-30,268.27	0.00	84,798.45
2. Translation differences of financial statements denominated in in foreign currency	-71,301,163.63	-26,174,483.89	0.00	0.00	-25,011,029.50	-1,163,454.39	-96,312,193.13
Total other comprehensive income	169,983,800.56	71,627,036.98	171,926,789.47	16,903,365.05	-123,434,802.86	6,231,685.32	46,548,997.70

2020

Item	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	Amount for the Year			Balance at the End of the Year ⁽³⁾⁼⁽¹⁾⁺⁽²⁾
				Less: income tax expenses	Attributable to parent company after tax ⁽²⁾	Attributable to minority interests after tax	
I. Other comprehensive income not to be reclassified into profit or loss	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 or 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 reclassified into profit or 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

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

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

40. Surplus reserve

2021

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	577,212,833.75	0.00	0.00	577,212,833.75
Discretionary surplus reserve	63,796,201.34	0.00	0.00	63,796,201.34
Reserve funds	82,108,376.71	0.00	0.00	82,108,376.71
Enterprise Development Fund	21,683,742.35	0.00	0.00	21,683,742.35
Total	744,801,154.15	0.00	0.00	744,801,154.15

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

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	8,937,313,245.63	8,419,002,908.40	—
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	8,937,313,245.63	8,419,002,908.40	
Add: Net profit attributable to owners of the parent company for the Year	1,775,683,251.01	1,714,910,390.36	—
Gains on disposal of investment in other equity instruments	171,926,789.47	0.00	—
Less: Appropriation to statutory surplus reserve	0.00	121,623,010.86	10%
Appropriation to discretionary surplus reserve	0.00	0.00	
Dividends payable to ordinary shares	1,168,522,010.83	1,074,977,042.27	
Dividends of ordinary shares capitalized	0.00	0.00	
Retained earnings at the End of the Year	9,716,401,275.28	8,937,313,245.63	

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.

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

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

41. Retained earnings *(continued)*

(2) Notes to appropriation of profits

Item	Unit: RMB'000	
	The Year	Last Year
Dividends:		
Final dividends for 2020 paid during the Year (Note 2)	1,168,522.01	
Final dividends for 2019 paid during the Year (Note 3)	—	1,074,977.04
Dividends declared after balance sheet date:		
Final dividends for 2021 (Note 1)	—	—
Final dividends for 2020 (Note 2)	—	1,168,522.01

Note 1: On 28 March 2022, the 2021 Annual Profit Distribution Plan was resolved and approved at the 28th meeting of the tenth session of the Board of the Company, it is expected to distribute cash dividend of RMB13.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2021 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized.

Note 2: On 22 March 2021, the 2020 Annual Profit Distribution Plan was resolved and approved at the 14th meeting of the tenth session of the Board of the Company, it is expected to distribute cash dividend of RMB12.50 (tax inclusive) for every 10 shares to all Shareholders of the Company and the total amount of distribution was RMB1,168,522,010.83 (tax inclusive), based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2020 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized. The profit distribution plan was approved at the general meeting held on 20 May 2021 and the payment was completed.

Note 3: 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.

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	11,927,981,641.41	4,155,936,133.76	10,463,074,011.54	3,632,207,181.26
Other activities	135,881,631.57	97,151,350.69	57,335,830.47	41,503,592.42
Total	12,063,863,272.98	4,253,087,484.45	10,520,409,842.01	3,673,710,773.68

The Company operates in a single operating segment in the PRC, i.e. the manufacture of pharmaceuticals. Accordingly, no information on operating segment of the Company is presented.

(2) Operating income and operating costs presented by product types

Item	Amount for the Year		Amount for Last Year	
	Income	Cost	Income	Cost
Principal activities:				
Chemical drug preparation products	7,224,416,440.45	1,509,611,300.15	5,402,935,767.97	1,210,708,776.13
APIs and Intermediates	2,908,744,977.39	2,047,170,987.65	2,440,263,424.49	1,654,621,969.11
Traditional Chinese drug preparation products	1,070,862,073.91	279,945,301.39	1,207,266,790.70	322,917,955.91
Diagnostic reagents and equipment	723,958,149.66	319,208,544.57	1,382,771,032.90	414,121,484.63
Others	0.00	0.00	29,836,995.48	29,836,995.48
Subtotal	11,927,981,641.41	4,155,936,133.76	10,463,074,011.54	3,632,207,181.26
Other activities:				
Sales materials	45,692,190.01	35,748,838.92	18,471,003.57	13,695,842.97
Leasing income	4,661,385.09	225,953.54	9,008,675.28	6,040,538.30
Processing income	5,036,885.03	2,218,087.87	11,746,279.81	10,975,329.03
Supply of power	8,093,935.48	7,703,020.10	11,347,388.03	10,503,017.61
Technology transfer	19,365,879.25	12,539,408.55	1,198,636.79	0.00
Others	53,031,356.71	38,716,041.71	5,563,846.99	288,864.51
Subtotal	135,881,631.57	97,151,350.69	57,335,830.47	41,503,592.42
Total	12,063,863,272.98	4,253,087,484.45	10,520,409,842.01	3,673,710,773.68

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

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

42. Operating income and operating cost *(continued)*

(3) Operating income and operating costs presented by major operating regions

Item	Amount for the Year		Amount for Last Year	
	Income	Cost	Income	Cost
Domestic	10,389,430,628.94	3,179,959,095.23	8,737,922,577.51	2,724,751,497.10
Overseas	1,538,551,012.47	975,977,038.53	1,725,151,434.03	907,455,684.16
Total	11,927,981,641.41	4,155,936,133.76	10,463,074,011.54	3,632,207,181.26

(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)	11,927,981,641.41	4,155,936,133.76	10,463,074,011.54	3,632,207,181.26

43. Taxes and surcharges

Item	Amount for the Year	Amount for Last Year
Urban maintenance and construction tax	58,493,268.00	53,776,147.78
Education surcharges	43,331,821.76	41,142,242.46
Land use tax	5,975,524.61	6,100,363.61
Property tax	17,741,072.39	16,333,150.31
Stamp duty	10,913,832.45	5,306,777.05
Vehicle and vessel usage tax	85,311.51	73,871.02
Environmental protection tax	333,966.14	277,071.39
Others	554,279.19	613,527.78
Total	137,429,076.05	123,623,151.40

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	3,455,866,234.50	2,716,810,842.03
Staff salaries	302,048,042.67	251,600,174.48
Office, entertainment and travelling expenses	58,172,307.23	49,202,358.41
Business meeting expenses	20,993,916.61	11,505,633.76
Others	46,794,002.05	46,749,813.34
Total	3,883,874,503.06	3,075,868,822.02

45. Administrative expenses

Item	Amount for the Year	Amount for Last Year
Staff salaries	269,904,372.50	286,231,634.90
Share incentive expenses	25,849,012.38	30,734,618.07
Depreciation and amortization	91,258,390.84	74,486,967.98
Loss on suspension of operations	61,298,627.03	60,597,778.07
Advisory, consultancy and information disclosure fees	21,853,023.08	17,850,479.43
Quality project expenses	46,075,518.11	51,118,220.20
Office, entertainment and travelling expenses	46,939,280.90	46,609,409.07
Repair of utilities, transportation and miscellaneous expenses	35,318,950.53	19,314,268.39
Recruitment and staff training expenses	9,702,595.03	11,668,291.91
Auditors' fees	2,292,452.83	2,405,660.37
Others	53,688,938.68	63,272,804.45
Total	664,181,161.91	664,290,132.84

46. R&D expenses

Item	Amount for the Year	Amount for Last Year
Material costs	231,663,006.62	202,578,511.38
Staff salaries	301,742,771.82	216,077,299.30
Share incentive expenses	6,884,591.21	704,431.47
Testing fees	420,327,375.64	342,826,127.69
Depreciation and amortization	78,780,317.45	56,723,986.21
Others	106,304,267.07	65,185,011.47
Total	1,145,702,329.81	884,095,367.52

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

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

47. Finance expenses

Item	Amount for the Year	Amount for Last Year
Interest expenses	83,997,234.61	25,313,177.20
Less: Interest income	162,189,969.03	175,564,199.33
Exchange (gains)/losses	4,282,324.15	41,557,893.84
Commission charges and others	3,869,651.70	5,054,324.64
Total	-70,040,758.57	-103,638,803.65

48. Other income

Items of grants (sources of other income)	Amount for the Year	Amount for Last Year	Related to assets/income
Government grants	41,608,126.22	33,945,012.13	Related to assets
Government grants	164,871,028.71	181,045,571.26	Related to income
Tax withholding commission charges	1,563,421.16	1,169,206.35	
Extra tax deductions for tax refunds	0.00	23,224.44	
Total	208,042,576.09	216,183,014.18	

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	39,063,937.38	1,907,349.46
Investment income from disposal of long-term equity investments	2,423,029.20	103,699,130.93
Investment income from financial assets held for trading during the holding period	2,421,216.08	337,875.68
Dividend income from other equity instrument investments	20,713,994.02	9,800,216.05
Investment income from disposal of financial assets held for trading	25,002,821.73	24,223,866.94
Income generated from revaluation of remaining equity measured at fair value upon loss of control	0.00	7,958,514.22
Others	0.00	-298,617.11
Total	89,624,998.41	147,628,336.17

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	-22,884,154.08	8,793,015.39
Of which: Debt instrument investments	30,410.89	14,481.37
Equity instrument investments	-17,702,179.18	152,493.76
Derivative financial assets	-5,212,385.79	8,626,040.26
Financial liabilities held for trading	-143,090.17	13,703.93
Of which: Derivative financial liabilities	-143,090.17	13,703.93
Total	-23,027,244.25	8,806,719.32

51. Credit impairment loss ("-" represents losses)

Item	Amount for the Year	Amount for Last Year
Bad debt loss of bills receivables	0.00	-431,000.00
Bad debt loss of accounts receivables	-7,398,692.26	-12,592.30
Bad debt loss of other receivables	-138,330.88	-836,399.61
Total	-7,537,023.14	-1,279,991.91

52. Asset impairment loss ("-" represents losses)

Item	Amount for the Year	Amount for Last Year
Loss on obsolete stocks	-56,575,488.79	-70,077,263.43
Impairment loss on fixed assets	-202,011.87	-2,199,645.93
Total	-56,777,500.66	-72,276,909.36

53. Gains on disposal of assets

Item	Amount for the Year	Amount for Last Year
Gains on disposal of fixed assets ("-" represents losses)	7,034,712.12	-1,072,396.76

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

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

54. Non-operating income

Item	Amount for the Year	Amount for Last Year	Amount charged to non-recurring gains or losses during the Period
Gains on destruction or retirement of non-current assets	168,856.96	19,449.81	168,856.96
Income from scraps	2,536,705.67	944,438.73	2,536,705.67
Compensation income	739,402.63	554,491.74	739,402.63
Waiver of payables	426,425.24	4,138,358.67	426,425.24
Others	3,013,716.65	2,535,478.21	3,013,716.65
Total	6,885,107.15	8,192,217.16	6,885,107.15

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	19,452,178.47	10,810,053.84	19,452,178.47
Loss on destruction or retirement of non-current assets	6,113,114.29	4,721,538.24	6,113,114.29
Others	2,620,979.48	3,674,107.15	2,620,979.48
Total	28,186,272.24	19,205,699.23	28,186,272.24

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	278,104,801.38	397,462,595.84
Of which: Domestic enterprise income tax	277,810,742.90	397,462,595.84
Corporate income tax in Hong Kong and Macau	294,058.48	0.00
Deferred income tax expenses	15,482,859.44	-39,353,614.57
Total	293,587,660.82	358,108,981.27

(2) Reconciliation between income tax expenses and total profit is set out below:

Item	Amount for the Year	Amount for Last Year
Total profit	2,245,688,829.75	2,489,435,687.77
Income tax expenses calculated at statutory tax rate	561,422,207.44	622,358,921.94
Effect of different tax rates applicable to subsidiaries	183,938.50	-230,379.27
Effect of tax reduction and exemption	-361,448,631.48	-331,135,468.96
Effect of non-taxable income	-4,275,242.31	-4,010,749.74
Effect of using the equity method	-5,212,276.30	-520,873.55
Effect of non-deductible expenses	10,251,459.71	5,919,484.77
Credit (Charge) on deductible temporary differences on which deferred income tax assets are not recognized for the Year	601,110.61	-1,436,735.23
Deductible losses of deferred income tax assets not recognized for the Year	95,923,930.52	68,586,089.86
Utilization of deductible losses of deferred income tax assets not recognized in prior periods	-5,504,939.57	-8,622,315.05
Others	1,646,103.70	7,201,006.50
Income tax expenses	293,587,660.82	358,108,981.27

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

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

57. Earnings per share

Basic earnings per share was calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares of the parent company outstanding.

Diluted earnings per share was calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the parent company after the adjustment of dilutive potential ordinary shares by the weighted average number of ordinary shares of the Company outstanding after adjustment. In calculating the weighted average number of shares increased after conversion of dilutive potential ordinary shares into issued ordinary shares, the dilutive potential ordinary shares which were issued in previous periods are assumed to be converted at the beginning of current year and the dilutive potential ordinary shares which were issued during the current year are assumed to be converted at the date of issue.

The calculation of basic and diluted earnings per share is as follows:

Calculation of earnings per share	Amount for the Year	Amount for Last Year
Net profit attributable to ordinary shareholders of the parent company	1,775,683,251.01	1,714,910,390.36
Of which: Net profit from continuing operations	1,775,683,251.01	1,714,910,390.36
Net profit from discontinued operations	0.00	0.00
Weighted average number of ordinary shares of the Company outstanding	935,426,940	936,159,771
Effect of dilution – weighted average number of ordinary shares (share options)	808,254	2,411,730.53
Weighted average number of ordinary shares of the Company outstanding after adjustment	936,235,194	938,571,502
Basic earnings per share	1.90	1.83
Of which: Earnings per share of continuing operations	1.90	1.83
Earnings per share of discontinued operations	—	—
Diluted earnings per share	1.90	1.83
Of which: Diluted earnings per share of continuing operations	1.90	1.83
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	198,300,223.75	245,449,325.43
Interest income	142,220,316.26	175,564,199.33
Deposits for letter of credit/bank acceptance bills	31,219,129.91	2,198,430.07
Movements in capital and others	74,449,499.27	96,667,999.67
Total	446,189,169.19	519,879,954.50

(2) Cash paid relating to other operating activities

Item	Amount for the Year	Amount for Last Year
Business promotion expenses	4,072,974,288.01	2,902,771,445.52
R&D expenses	741,549,883.44	607,173,975.32
Bank charges	3,869,651.70	5,054,324.64
Deposits for letter of credit and bank acceptance bills	30,565,390.64	2,943,454.22
Other expenses paid	433,234,270.80	501,188,658.32
Movements in capital and others	28,587,566.28	60,305,019.89
Total	5,310,781,050.87	4,079,436,877.91

(3) Cash received relating to other investing activities

Item	Amount for the Year	Amount for Last Year
Deposits under guarantee	185,000.00	450,000.00
Insurance claims	0.00	19,828,856.24
Compensation for demolition	0.00	8,000,000.00
Others	2,700.00	229,160.14
Total	187,700.00	28,508,016.38

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

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

58. Notes to cash flow statement items *(continued)*

(4) Cash paid relating to other investing activities

Item	Amount for the Year	Amount for Last Year
Deposits under guarantee	235,000.00	180,000.00
Foreign exchange forward contract losses	2,831,260.72	3,564,544.29
Others	3,779.69	179,618.71
Total	3,070,040.41	3,924,163.00

(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	1,269,151.85	2,778,643.64

(6) Cash paid relating to other financing activities

Item	Amount for the Year	Amount for Last Year
Repurchase of shares	238,183,561.27	250,061,413.16
Capital reduction in minority interests in subsidiary	618,262,191.00	0.00
Collection and advance payment of individual income tax	1,716,145.57	0.00
Rental	21,343,836.30	0.00
Total	879,505,734.14	250,061,413.16

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	1,952,101,168.93	2,131,326,706.50
Add: Asset impairment loss	56,777,500.66	72,276,909.36
Credit impairment loss	7,537,023.14	1,279,991.91
Depreciation of fixed assets	406,884,891.28	377,949,993.99
Amortization of right-of-use assets	20,248,852.26	0.00
Amortization of intangible assets	18,137,564.75	16,349,584.68
Amortization of long-term deferred expenses	26,067,675.35	29,091,721.59
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" represents gains)	-7,034,712.12	1,072,396.76
Loss on retirement of fixed assets ("-" represents gains)	5,944,257.33	4,702,088.43
Loss on fair value change ("-" represents gains)	23,027,244.25	-8,806,719.32
Finance expenses ("-" represents gains)	102,720,755.47	58,287,574.49
Investment losses ("-" represents gains)	-89,624,998.41	-147,628,336.17
Decrease in deferred income tax assets ("-" represents increase)	-13,344,946.56	-55,566,099.85
Increase in deferred income tax liabilities ("-" represents decrease)	28,827,806.00	16,212,485.28
Decrease in inventories ("-" represents increase)	-232,007,066.98	-400,349,024.12
Decrease in operating items receivable ("-" represents increase)	-664,684,318.81	-491,927,716.27
Increase in operating items payable ("-" represents decrease)	228,015,838.90	525,049,999.62
Others	32,733,603.59	31,439,049.54
Net cash flow from operating activities	1,902,328,139.03	2,160,760,606.42
2. Major investment and financing activities irrelevant to cash income and expenses:		
Conversion of debts into capital	0.00	0.00
Convertible corporate bonds due within 1 year	0.00	0.00
Fixed assets capitalized under finance leases	0.00	0.00
The increased right-of-use assets of current period	16,525,796.79	30,597,396.76
3. Net change in cash and cash equivalents:		
Cash balance at the End of the Year	9,125,309,968.12	9,952,049,990.08
Less: Cash balance at the Beginning of the Period	9,952,049,990.08	8,854,185,853.54
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	-826,740,021.96	1,097,864,136.54

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

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)***59. Supplemental information to cash flow statement** *(continued)***(2) Net cash 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	10,000,000.00
Of which: Zhuhai Qiao Biotechnology Co., Ltd. (珠海啟奧生物技術有限公司)	10,000,000.00
Less: Cash and cash equivalents held by subsidiaries on the date when the Company lost control	6,688,779.47
Of which: Zhuhai Qiao Biotechnology Co., Ltd. (珠海啟奧生物技術有限公司)	6,688,779.47
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	3,311,220.53

(4) Composition of cash and cash equivalents

Item	Amount for the Year	Amount for Last Year
I. Cash	9,125,309,968.12	9,952,049,990.08
Of which: Cash on hand	194,319.63	160,781.75
Bank deposits that are readily available for payment	8,982,561,795.23	9,860,877,412.96
Other monetary funds that are readily available for payment	142,553,853.26	91,011,795.37
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	9,125,309,968.12	9,952,049,990.08

Cash and cash equivalents excluded restricted cash and cash equivalents used by the Company.

60. Assets with restricted ownership or right of use

Item	Carrying amount at the End of the Year	Reasons for restriction
Monetary funds	1,093,834.12	Deposits for letters of guarantee and other businesses
Bills receivables	274,605,538.20	Bills pooling business, pledged bills receivables
Total	275,699,372.32	

NOTES TO FINANCIAL STATEMENTS 2021

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

377

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	70,985,095.11	0.8176	58,037,413.76
Euro	77,030.96	7.2197	556,140.42
USD	162,010,373.44	6.3757	1,032,929,537.95
MOP	1,412,971.92	0.7936	1,121,334.52
JPY	43,429,022.00	0.055415	2,406,619.26
Accounts receivables			
Of which: USD	62,588,834.38	6.3757	399,047,631.36
Euro	622,350.00	7.2197	4,493,180.30
MOP	3,559,534.45	0.7936	2,824,846.54
Other receivables			
Of which: HKD	1,047,298.17	0.8176	856,270.98
MOP	581,188.00	0.7936	461,230.80
Accounts payables			
Of which: USD	33,452.83	6.3757	213,285.21
Euro	5,665.41	7.2197	40,902.56
MOP	13,870.44	0.7936	11,007.58
Other payables			
Of which: USD	2,514,960.49	6.3757	16,034,633.60
HKD	3,060,195.56	0.8176	2,502,015.89

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

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

62. Government grants

(1) Government grants included in deferred income will be measured by gross amount method subsequently

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	20,988,166.29	0.00	4,910,000.04	0.00	16,078,166.25	Other income	Related to assets
Research and development funds for new drug for Class I Treatment of humanized anti-TNF- α monoclonal antibody (I類治療用源化抗人腫瘤壞死因子 α 單克隆抗體新藥研製資金)	Fiscal appropriation	8,000,000.00	0.00	0.00	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	750,000.00	0.00	12,550,000.00	Other income	Related to assets
Construction project for industrialization of prolonged-action microsphere preparation (phase I) (長效微球製劑產業化建設項目(一期工程))	Fiscal appropriation	7,024,025.85	15,329,800.00	1,634,320.37	0.00	20,719,505.48	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	2,400,000.00	0.00	0.00	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	1,597,750.00	0.00	231,000.00	0.00	1,366,750.00	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	1,200,000.10	0.00	159,999.96	0.00	1,040,000.14	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	50,606,036.20	0.00	10,560,089.27	0.00	40,045,946.93	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	3,557,499.51	0.00	1,102,000.08	0.00	2,455,499.43	Other income	Related to assets
Subsidy for the Tender of Technology Upgrade Project for PVC Soft Bag Supported by Provincial Finance Departments (省財政支持扶改招標項目補助金PVC軟袋)	Fiscal appropriation	3,111,850.32	0.00	408,365.76	0.00	2,703,484.56	Other income	Related to assets
Technical transformation project of Shenqi Fuzheng Injection with flexible bag (軟袋參芪扶正注射液扶改項目)	Fiscal appropriation	19,500,000.02	0.00	3,823,529.40	0.00	15,676,470.62	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	6,589,119.08	0.00	1,129,563.36	0.00	5,459,555.72	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	10,648,600.33	0.00	3,288,929.52	0.00	7,359,670.81	Other income	Related to assets
Electricity distribution transformer performance enhancement for energy-saving and emission reduction projects (節能減排項目配電變壓器能效提升)	Fiscal appropriation	428,000.00	0.00	48,000.00	0.00	380,000.00	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
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	1,000,000.00	1,008,000.00	473,166.56	0.00	1,534,833.44	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	5,248,234.16	0.00	445,755.36	0.00	4,802,478.80	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	241,769.82	0.00	75,330.36	0.00	166,439.46	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	2,038,717.56	0.00	3,961,282.44	Other income	Related to assets
Technological upgrading and transformation projects of workshop for acarbose (APIs for α -glucosidase inhibitor) (α -葡萄糖苷酶抑制劑類原料藥阿卡波糖生產車間工藝升級技術改造項目)	Fiscal appropriation	571,428.64	0.00	107,142.84	0.00	464,285.80	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	60,000.36	0.00	29,999.88	0.00	30,000.48	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	139,491.80	0.00	110,925.60	0.00	28,566.20	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	3,400,000.00	0.00	1,200,000.00	0.00	2,200,000.00	Other income	Related to income
Zhuhai industrial enterprise "cloud and platform" service coupons supporting funds (珠海市工業企業「上雲上平台」服務券支持資金)	Fiscal appropriation	114,972.73	0.00	25,540.87	0.00	89,431.86	Other income	Related to income
Commissioner workstation (特派員工作站)	Fiscal appropriation	145,000.00	0.00	60,000.00	0.00	85,000.00	Other income	Related to assets
Industrial revitalisation supporting funds (產業振興扶持資金)	Fiscal appropriation	3,603,500.01	0.00	1,158,000.00	0.00	2,445,500.01	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	508,333.67	0.00	199,999.92	0.00	308,333.75	Other income	Related to assets
New industrialization development grant (新型工業化發展獎金)	Fiscal appropriation	1,304,166.42	2,629,900.00	350,000.04	0.00	3,584,066.38	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	566,666.61	0.00	200,000.04	0.00	366,666.57	Other income	Related to assets
Supporting funds for five advantageous industrial clusters and one high-tech industry (五優一新扶持資金)	Fiscal appropriation	400,000.16	0.00	99,999.96	0.00	300,000.20	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	2,000,000.00	0.00	0.00	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	2,700,000.00	6,300,000.00	0.00	9,000,000.00	0.00	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	8,500,000.00	4,000,000.00	0.00	0.00	12,500,000.00	Other income	Related to assets

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

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

62. Government grants (continued)

(1) Government grants included in deferred income will be measured by gross amount method subsequently (continued)

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
2020 Zhuhai innovation and enterprising team (Nanocrystalline) (2020 年度珠海市創新創業團隊(納米晶))	Fiscal appropriation	0.00	1,500,000.00	0.00	0.00	1,500,000.00	Other income	Related to assets
Fund for R&D and industrialization of innovative ilaprazole series (艾普拉唑系列創新藥物研發及產業化項目資金)	Fiscal appropriation	5,600,000.00	0.00	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 (丹曲林鈉))	Fiscal appropriation	3,000,000.00	0.00	0.00	0.00	3,000,000.00	Other income	Related to assets
Data-driven industrial chain collaboration platform demonstration project (數據驅動的產業鏈協同平台示範項目)	Fiscal appropriation	0.00	3,650,000.00	0.00	0.00	3,650,000.00	Other income	Related to assets
Fund for key projects of industrial core and key technologies of Zhuhai (2nd batch) (珠海市產業核心和關鍵技術攻關方向 項目資金(第二批))	Fiscal appropriation	2,000,000.00	0.00	0.00	0.00	2,000,000.00	Other income	Related to assets
Innovative drug of ilaprazole sodium for injection (創新藥注射用艾普拉唑鈉劑)	Fiscal appropriation	2,400,000.00	0.00	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	765,000.00	0.00	90,000.00	0.00	675,000.00	Other income	Related to assets
Cleaner Production Audit Project (清潔生產審核項目)	Fiscal appropriation	190,000.04	0.00	9,999.96	0.00	180,000.08	Other income	Related to assets
Green factory (綠色工廠)	Fiscal appropriation	1,261,666.67	0.00	129,999.96	0.00	1,131,666.71	Other income	Related to assets
HCG project construction (HCG 項目建設)	Fiscal appropriation	3,783,485.81	0.00	395,649.97	0.00	3,387,835.84	Other income	Related to assets
Sewage treatment system upgrade project (污水處理系統升級改造項目)	Fiscal appropriation	72,269.96	0.00	8,030.04	0.00	64,239.92	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	1,287,500.00	0.00	150,000.00	0.00	1,137,500.00	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	105,000.00	0.00	22,500.00	0.00	82,500.00	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	1,550,000.00	0.00	1,368,367.88	0.00	181,632.12	Other income	Related to assets
Project supporting fund for the first batch of special funds for scientific and technological innovation in 2019 (2019 年度 第一批科技創新專項資金立項配套資助)	Fiscal appropriation	850,000.00	0.00	250,000.00	0.00	600,000.00	Other income	Related to assets
Provincial industrial innovation (provincial enterprise technology center) project in 2019 (2019 年省產業創新(省級企業技術中心)項目)	Fiscal appropriation	1,403,733.33	0.00	357,200.00	0.00	1,046,533.33	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
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測科技攻關應急專項款)	Fiscal appropriation	350,000.00	0.00	350,000.00	0.00	0.00	Other income	Related to assets
Zhuhai Financial Bureau cum COVID-19 emergency technology special emergency fund (珠海市財政局應急科技攻關專項款)	Fiscal appropriation	250,000.00	0.00	250,000.00	0.00	0.00	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	160,000.00	0.00	0.00	80,000.00	80,000.00	Other income	Related to income
Pre-appropriation of special grants for industrialization of diagnostic reagents for COVID-19 (新型冠狀病毒檢測試劑產業化項目補助金預撥)	Fiscal appropriation	4,601,200.00	0.00	484,784.35	0.00	4,116,415.65	Other income	Related to assets
Xiangzhou District equipment purchase subsidy supporting funds (special funds for prevention and control of pandemic) (香洲區購置設備補貼扶持資金(疫情防控專項資金))	Fiscal appropriation	13,555.75	0.00	2,088.50	0.00	11,467.25	Other income	Related to assets
Zhuhai innovation and enterprising team and high-level talent enterprising project Phase I funds (珠海市創新創業團隊和高層次人才創業項目首期資金)	Fiscal appropriation	12,000,000.00	0.00	0.00	0.00	12,000,000.00	Other income	Related to assets
Overall relocation and deployment expansion project (整體搬遷調遷擴建項目)	Fiscal appropriation	20,000,000.00	0.00	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	200,000.00	0.00	20,000.04	0.00	179,999.96	Other income	Related to assets
Optimization of structural effect of sea organisms and valuation of anti-tumor activity (海洋微生物構效優化與抗腫瘤活性評價)	Fiscal appropriation	0.00	324,673.61	12,307.34	0.00	312,366.27	Other income	Related to income
Total		276,141,923.64	34,742,373.61	42,921,304.79	9,080,000.00	258,882,992.46		

Government grants were mainly from grants for projects such as R&D, technology transformation, technology innovation and relocation from relevant government authorities such as development and reform, finance, technology and industrial information bureau of prefecture, provincial and municipal level government of the place where the Company and its subsidiaries operate.

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

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

62. Government grants (continued)

(2) Government grants charged to profit and loss of current period by adopting gross amount method

Projects with grants	Type	Amount charged to profit and loss for 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	2,410,489.14	1,991,489.70	Other income	Related to income
R&D subsidy (研究開發費補助)	Fiscal appropriation	6,331,169.33	6,267,222.00	Other income	Related to income
Research and development funds for new drug for Class I Treatment of humanized anti-TNF- α monoclonal antibody (I 類治療用人源化抗人腫瘤壞死因子 α 單克隆抗體新藥的研製資金)	Fiscal appropriation	-8,000,000.00	0.00	Other income	Related to income
Government Subsidy for Long-acting Microspheres Major New Drug Creation (長效微球重大新藥創製政府補助)	Fiscal appropriation	1,206,390.00	0.00	Other income	Related to income
Government Subsidy for Long-acting Microspheres Major New Drug Creation (長效微球重大新藥創製政府補助)	Fiscal appropriation	828,374.15	4,784,320.37	Other income	Related to assets
R&D and industrialization of innovative Ilaprazole series (艾普拉唑系列創新藥物研發及產業化)	Fiscal appropriation	4,910,000.04	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	748,129.50	560,000.00	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	90,000.00	90,000.00	Other income	Related to assets
R&D and commercialisation of Recombinant Human Chorionic Gonadotropin for Injection (注射用重組人絨促性素研發及產業化)	Fiscal appropriation	150,000.00	150,000.00	Other income	Related to assets
Construction of HCG Project (HCG 項目建設)	Fiscal appropriation	161,921.69	395,649.97	Other income	Related to assets
Fiscal Subsidy and Operating Subsidy (財政補貼及經營運營補貼)	Fiscal appropriation	119,079,372.24	119,047,484.00	Other income	Related to income
R&D and Commercialisation of Mouse Nerve Growth Factor for Injection (注射用鼠神經生長因子研發及產業化)	Fiscal appropriation	10,560,089.16	10,560,089.27	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	2,500,000.00	0.00	Other income	Related to income
Provincial Science and Technology Innovation Strategy Special Fund (省科技創新戰略專項資金)	Fiscal appropriation	1,500,000.00	473,166.56	Other income	Related to assets
Project of astragalus base (黃芪基地項目)	Fiscal appropriation	4,641,357.94	0.00	Other income	Related to assets
Promoting Imports of Foreign Trade Development Special Fund (外貿經濟發展專項資金)	Fiscal appropriation	697,650.00	50,352.00	Other income	Related to income
Production safety subsidy (安全生產補助)	Fiscal appropriation	62,000.00	0.00	Other income	Related to income
Subsidy for Rental and Property Fee of the Investment and Promotion Center (投促中心租金及物業費補貼)	Fiscal appropriation	0.00	67,500.00	Other income	Related to income
Technological Upgrading and Transformation Projects of Workshop for Acarbose (API of α -Glucosidase Inhibitor) (α -葡萄糖苷酶抑制劑類原料藥阿卡波糖生產車間工藝升級技術改造項目)	Fiscal appropriation	107,142.84	107,142.84	Other income	Related to assets

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
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	408,365.76	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	3,823,529.40	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	0.00	Other income	Related to assets
Demonstration project on the application of solar photovoltaic architecture (太陽能光電建築應用示範項目)	Fiscal appropriation	1,102,000.08	1,102,000.08	Other income	Related to assets
Electricity Incentive Funds (用電獎勵資金)	Fiscal appropriation	217,903.00	364,257.43	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	504,000.00	1,071,346.00	Other income	Related to income
Grants to high-growth technology companies from Dazhangjiang project A04 (大張江項目 A04 對高增長技術企業資助款)	Fiscal appropriation	0.00	1,500,000.00	Other income	Related to income
Small and medium enterprise market development project funds (中小企業開拓市場項目資金)	Fiscal appropriation	33,135.00	0.00	Other income	Related to income
Provision for technology transformation funds and subsequent grants (技術改造資金撥款及事後補獎)	Fiscal appropriation	335,100.00	1,576,000.00	Other income	Related to income
Provision for technology transformation funds and subsequent grants (技術改造資金撥款及事後補獎)	Fiscal appropriation	3,687,744.59	4,131,600.00	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	1,239,575.06	397,818.48	Other income	Related to assets
Commissioner workstation (特派員工作站)	Fiscal appropriation	60,000.00	60,000.00	Other income	Related to assets
Special Fund and Encouraging funds for Energy Saving and Emission Reduction (節能減排專項資金及獎勵金)	Fiscal appropriation	50,000.00	352,000.00	Other income	Related to income
Energy-saving and emission reduction projects (節能減排項目)	Fiscal appropriation	12,030.04	86,030.04	Other income	Related to assets
Scientific technology award and subsidy for technological innovative project (科學技術獎及科技創新項目資助)	Fiscal appropriation	4,027,272.76	7,352,000.00	Other income	Related to income
Scientific technology award and subsidy for technological innovative project (科學技術獎及科技創新項目資助)	Fiscal appropriation	0.00	250,000.00	Other income	Related to assets
Set-up and research fund for postdoctoral Station (博士後建站和科研補貼)	Fiscal appropriation	500,000.00	100,000.00	Other income	Related to income
Patent (Intellectual Property) Support Fund (專利(知識產權)資助資金)	Fiscal appropriation	2,055,068.00	849,370.00	Other income	Related to income
Optimization of structural effect of sea organisms and valuation of anti-tumor activity(海洋微生物構效優化與抗腫瘤活性評價)	Fiscal appropriation	0.00	12,307.34	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	200,000.04	Other income	Related to assets
Government grant for industrial transformation (工業轉型政府扶持資金)	Fiscal appropriation	199,999.92	199,999.92	Other income	Related to assets
Reward Fund for Industry Growth and Production Expansion (工業保值增長及增產獎勵)	Fiscal appropriation	27,794,500.00	5,050,000.00	Other income	Related to income
New industrialization development funds (新型工業化發展資金)	Fiscal appropriation	300,000.04	350,000.04	Other income	Related to assets

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

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

62. Government grants (continued)

(2) Government grants charged to profit and loss of current period by adopting gross amount method (continued)

Projects with grants	Type	Amount charged to profit and loss for Last Year	Amount charged to profit and loss for the Year	Presentation item in profit and loss	Related to assets/income
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	0.00	13,000.00	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	99,999.96	Other income	Related to assets
Employment Assurance and Re-employment and Attraction to Graduates of Tertiary Academic Institutions Subsidy (企業穩崗及再就業和吸納高校畢業生補貼款)	Fiscal appropriation	5,760,396.73	5,024,018.69	Other income	Related to income
New Scientific Research Institution Subsidy (新型科研機構補助資金)	Fiscal appropriation	0.00	2,000,000.00	Other income	Related to assets
Enterprise Technology Center Innovation Capacity Development (Antibody Laboratory) (企業技術中心創新能力建設(抗體藥物試驗室))	Fiscal appropriation	-3,179,362.63	445,755.36	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	86,916.30	75,330.36	Other income	Related to income
Special funds for industry and informatization (工業和信息化專項資金)	Fiscal appropriation	0.00	48,000.00	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	0.00	646,759.03	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	1,011,750.00	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	389,300.00	519,700.00	Other income	Related to income
Subsidy for online monitoring equipment for coal-fired boilers (燃煤鍋爐在線監控設備裝置補助)	Fiscal appropriation	22,500.00	22,500.00	Other income	Related to assets
Special funds for key leading enterprises in the 13th Five-Year Plan (2019) (十三重點領軍企業專項資金(2019年))	Fiscal appropriation	4,784,100.00	0.00	Other income	Related to income
Green factory (綠色工廠)	Fiscal appropriation	48,333.29	129,999.96	Other income	Related to assets
Special capital replenishment for industrial enterprise restructuring (工業企業結構調整專項資補資)	Fiscal appropriation	1,940,000.00	130,000.00	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	610,000.00	0.00	Other income	Related to income
Research on transformation of bacterial strains and fermentation process (菌種改造與發酵工藝研究)	Fiscal appropriation	480,000.00	160,000.00	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	1,170,000.00	0.00	Other income	Related to income
Refund of unemployment insurance fees (失業保險費返還款)	Fiscal appropriation	2,067,505.76	29,476.67	Other income	Related to income
Subsidies for work-based training (以工代訓補貼)	Fiscal appropriation	901,700.00	848,400.00	Other income	Related to income
Subsidies for insurance fees (保險費用補貼)	Fiscal appropriation	478,471.45	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	200,000.00	1,000.00	Other income	Related to income

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

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

62. Government grants (continued)

(2) Government grants charged to profit and loss of current period by adopting gross amount method (continued)

Projects with grants	Type	Amount charged to profit and loss for Last Year	Amount charged to profit and loss for the Year	Presentation item in profit and loss	Related to assets/ income
Subsidies and supporting funds for production of emergency materials in Xiangzhou District (香洲區應急物資生產補貼扶持資金)	Fiscal appropriation	1,044.25	2,088.50	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	357,200.00	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	476,266.67	3,540,020.00	Other income	Related to income
Funds for projects of proactively expanding import in Zhuhai (珠海市主動擴大進口項目資金)	Fiscal appropriation	133,505.00	0.00	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	200,000.00	0.00	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	865,100.00	1,368,367.87	Other income	Related to assets
Research of high-throughput screening technology for toxic substances in aquatic products (水產品中有毒物質高通量檢測技術研究)	Fiscal appropriation	80,000.00	0.00	Other income	Related to income
Employment tax incentives for key groups and retired soldiers (重點群體及退役士兵就業稅收優惠)	Fiscal appropriation	0.00	66,400.00	Other income	Related to income
Funds for industrial volatile organic pollution control projects (工業揮發性有機污染治理項目資金)	Fiscal appropriation	0.00	628,000.00	Other income	Related to income
Achievement transfer of blood screening BCI nucleic acid detection testing (血液篩查BCI核酸檢測試劑成果轉化)	Fiscal appropriation	0.00	2,038,717.57	Other income	Related to assets
COVID-19 emergency technology special emergency fund and special grants for industrialization (新冠應急科技攻關專項款及產業化項目補助金)	Fiscal appropriation	0.00	1,084,784.35	Other income	Related to assets
"Specialized and new" subsidy (「專精特新」補貼)	Fiscal appropriation	0.00	175,000.00	Other income	Related to income
Exchange rate hedging subsidy (匯率避險補貼)	Fiscal appropriation	0.00	106,605.00	Other income	Related to income
National foreign special fund for 2020 allocated by Guangdong Province Science and Technology Department (廣東省科學技術廳撥來2020年度國家外專款)	Fiscal appropriation	0.00	300,000.00	Other income	Related to income
Several measures to pay enterprises to tide over difficulties in response to COVID-19 pandemic – funds for financial support project (應對新型冠狀病毒肺炎疫情支付企業共渡難關的若干措施—金融支持項目資金)	Fiscal appropriation	0.00	6,093,000.00	Other income	Related to income
Others	Fiscal appropriation	199,747.05	54,990.49	Other income	Related to income
Total		214,990,583.39	206,479,154.93		

Government grants were mainly from grants for projects such as enterprises operation, R&D, technology transformation, technology innovation, export credit insurance, pandemic emergency and employment assurance from relevant government authorities such as development and reform, finance, commerce, technology, technology and industrial information bureau, human resources and social security bureau of prefecture, provincial and municipal level government of the place where the Company and its subsidiaries operate.

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

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

Nil.

(4) Government grants refunded during the Year

Project	Amount	Reason
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))	9,000,000.00	Termination of the project
China Postdoctoral Science Foundation subsidy funds (中國博士後科學基金會資助經費)	80,000.00	Termination of the project
Export credit insurance subsidy (出口信保補貼)	407,687.30	Re-appropriation

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
Zuhai Qiao Biotechnology Co., Ltd. (珠海啟奧生物技術有限公司)	10,000,000.00	60% (indirect holding)	Sale	2021.6.11	Asset delivery	2,423,029.20	–

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
Zuhai Qiao Biotechnology Co., Ltd. (珠海啟奧生物技術有限公司)	–	–	–	–	–	–

VI. CHANGES IN THE SCOPE OF CONSOLIDATION *(continued)***2. Others**

On 30 March 2021, the Company and Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司) established Shanghai Liyu Biopharmaceutical Technology Co., Ltd. (上海麗予生物醫藥技術有限責任公司) with a registered capital of RMB3 million, of which the Company contributed RMB1.65 million and is interested in 55% of its registered capital.

On 9 February 2021, Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) established Zhuhai Liye Biotechnology Co., Ltd. (珠海市麗業生物技術有限公司) with a registered capital of RMB50 million, and is interested in 100% of its registered capital. On 13 August 2021, Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) established Changsha Lijin Baokang Medical Technology Co., Ltd. (長沙麗瑾葆康醫療科技有限公司) with a registered capital of RMB1 million, and is interested in 100% of its registered capital.

On 20 July 2021, the Company and Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠) established Zhuhai Livzon Pharmaceuticals Import and Export Trading Co., Ltd. (珠海市麗珠醫藥進出口貿易有限公司) with a registered capital of RMB10 million, and is interested in 100% of its registered capital.

On 24 August 2021, the Company, Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠) and Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司) established Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司) with a registered capital of RMB30 million, and is interested in 100% of its registered capital.

On 25 May 2021, Fuzhou Fuxing Pharmaceutical Co., Ltd. (福州市福興製藥有限公司) completed deregistration at the Administration for Industry and Commerce. On 31 December 2021, Livzon International Limited and Livzon Biologics Limited were deregistered.

VII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Group structure

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Ando Development Limited (安滔發展有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD500,000	100		Set-up
Lizhu (Hong Kong) Co., Limited (麗珠(香港)有限公司)	Wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD451,000,000	100		Set-up
Livzon International Ventures	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD50,000		100	Set-up
Livzon International Ventures I	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD50,000		100	Set-up
Livzon International Ventures II	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD50,000		100	Set-up
Lian Hong Kong Limited (麗安香港有限公司)	Wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD313,000,000	100		Set-up
Zhuhai Modern Chinese Medicine High Technology Co., Ltd. (珠海現代中藥高科技有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Provision of services	RMB6,000,000	75	25	Set-up
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB450,000,000	74.46	25.54	Set-up
Livzon Group Livzon Pharmaceutical Marketing Co., Ltd. (麗珠集團麗珠醫藥營銷有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Trade of goods	RMB20,000,000	60.04	39.96	Set-up
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Trade of goods	RMB60,000,000	66.67	33.33	Set-up
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	Holding subsidiary	Limited company	Shanghai	Shanghai	Manufacture of medicine	RMB87,330,000	36	15	Set-up
Shanghai Livzon Biotechnology Co., Ltd. (上海麗珠生物科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Shanghai	Shanghai	Manufacture of medicine	RMB10,000,000		75	Set-up
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB128,280,000		100	Set-up
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Jiaozuo	Jiaozuo	Manufacture of medicine	RMB70,000,000		100	Set-up
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	Holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB400,000,000	39.425		Set-up (Note)
Companhia de Macau Carason Limitada (澳門嘉安信有限公司)	Subsidiary of a holding subsidiary	Limited company	Macau	Macau	Trade of goods	MOP100,000		100	Set-up

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

VII. EQUITY IN OTHER ENTITIES (continued)**1. Equity in subsidiaries** (continued)**(1) Group structure** (continued)

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Zhuhai Lihe Medical Diagnostic Product Company Limited (珠海麗禾醫療診斷產品有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB15,000,000	100		Set-up
Shanghai Lihang Biotechnology Co., Limited (上海麗航生物科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Shanghai	Shanghai	Provision of services	RMB1,000,000	100		Set-up
Suzhou Lidi Biological Technology Co., Ltd. (蘇州麗迪生物科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Suzhou	Suzhou	Technology development	RMB1,000,000	100		Set-up
Zhuhai Liheng Medical Diagnostic Products Co., Ltd. (珠海立恒醫療診斷產品有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB15,000,000	100		Set-up
Zhuhai Liye Biotechnology Co., Ltd. (珠海市麗業生物技術有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB50,000,000	100		Set-up
Changsha Lijin Baokang Medical Technology Co., Ltd. (長沙麗瑾葆康醫療科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Changsha	Changsha	Manufacture of special equipment	RMB1,000,000	100		Set-up
Livzon Pharmaceutical Biotechnology Co., Ltd. (麗珠醫藥生物科技有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Provision of services	HKD10,000	100		Set-up
Zhuhai Livzon Advertising Co., Ltd. (珠海麗珠廣告有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Provision of services	RMB1,000,000	10	90	Set-up
Livzon Group Livzon Baiameng Biological Materials Co., Ltd. (麗珠集團麗珠一拜阿蒙生物材料有限公司)	Holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB12,000,000	57	25	Set-up
Livzon Group Livzon Medical Research Centre (麗珠集團麗珠醫藥研究所)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB10,000,000	60.04	39.96	Set-up
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	Holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB65,000,000	83.85		Set-up
Li Zhu (Macau) Limitada (麗珠(澳門)有限公司)	Wholly-owned subsidiary	Limited company	Macau	Macau	Investment	MOP100,000	100		Set-up
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

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(1) Group structure (continued)

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Livzon Bio, Inc. (珠海市麗珠生物醫藥 科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB889,023,284	55.13		Set-up
Livzon Biologics Hong Kong Limited (麗珠生物科技香港有限公司)	Subsidiary of a holding subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD400 +RMB600,000,000 +USD118,640,000		100	Set-up
Zhuhai Kadi Medical Biotechnology Inc. (珠海市卡迪生物醫藥有限公司)	VIE	Limited company	Zhuhai	Zhuhai	Technology development	RMB1,000,000		100	VIE
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB1,453,330,000		100	Set-up
Livzon MABPharm (US) Inc. (麗珠單抗生物技術(美國)有限公司)	Subsidiary of a holding subsidiary	Limited company	Boston	Boston	Technology development	USD1,100,000		100	Set-up
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Wholly-owned subsidiary	Limited company	Pengzhou	Pengzhou	Manufacture of medicine	RMB149,000,000	57.41	42.59	Consolidation not under common control
Gongshan Livzon Pharmaceutical Technology Limited (貢山麗珠藥源科技有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Gongshan	Gongshan	Crop farming	RMB1,000,000		100	Set-up
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	Holding subsidiary	Limited company	Qingyuan	Qingyuan	Manufacture of medicine	RMB239,887,700	87.14		Consolidation not under common control
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	Subsidiary of a holding subsidiary	Limited company	Pingluo county	Pingluo county	Manufacture of medicine	RMB200,000,000		100	Set-up
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	Subsidiary of a holding subsidiary	Limited company	Fuzhou	Fuzhou	Manufacture of medicine	USD41,700,000		100	Consolidation not under common control
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Subsidiary of a holding subsidiary	Limited company	Gutian county	Gutian county	Manufacture of medicine	RMB26,700,000		100	Consolidation not under common control
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Wholly-owned subsidiary	Limited company	Shaoguan	Shaoguan	Manufacture of medicine	RMB61,560,000	65.10	34.90	Consolidation not under common control
Datong Livzon Qiyuan Medicine Co., Ltd. (大同麗珠芪源藥材有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Hunyuan county	Hunyuan county	Crop farming	RMB4,000,000		92.50	Set-up

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

VII. EQUITY IN OTHER ENTITIES *(continued)*

1. Equity in subsidiaries *(continued)*

(1) Group structure *(continued)*

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Longxi Livzon Shenyuan Medicine Co., Ltd. (隴西麗珠參源藥材有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Longxi county	Longxi county	Crop farming	RMB4,000,000		100	Set-up
Shanghai Liju Biopharmaceutical Technology Co., Ltd. (上海麗予生物醫藥技術有限責任公司)	Holding subsidiary	Limited company	Shanghai	Shanghai	Technology development	RMB3,000,000		55	Set-up
Zhuhai Livzon Pharmaceuticals Import and Export Trading Co., Ltd. (珠海市麗珠醫藥進出口貿易有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Trade of goods	RMB10,000,000		75	25 Set-up
Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB30,000,000		50	50 Set-up

Note: The Company is the largest shareholder of Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) ("Livzon Diagnostics"). Pursuant to Article 25 of the Articles of Association of Livzon Diagnostics, the board of directors of Livzon Diagnostics consists of nine Directors. The Company will appoint 4 directors of its board of directors, representing more than half of the 6 non-independent directors, and one of them shall be appointed as the chairman of the board of directors. Pursuant to Article 73 of the Articles of Association of Livzon Diagnostics, "ordinary resolutions made by the General Meetings must be passed by more than half of the voting rights represented by the shareholders (including proxies) present at the the shareholders' general meetings". Ordinary resolutions includes annual financial budget, final accounts and other related businesses. Through its influence over the shareholders' general meetings and the board of directors of Livzon Diagnostics, the Company has the control over Livzon Diagnostics. As such, the Company includes Livzon Diagnostics in the scope of consolidation.

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. (上海麗珠製藥有限公司) (consolidated)	49.00	251,002,559.57	196,000,000.00	533,160,135.96
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	60.575	35,054,308.03	46,509,973.99	405,810,554.26
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	44.87	-153,010,590.42	0.00	97,591,306.74
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	12.86	48,763,555.19	0.00	222,198,914.07

(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. (上海麗珠製藥有限公司) (consolidated)	1,447,156,129.69	103,582,498.76	1,550,738,628.45	459,501,281.13	3,723,206.37	463,224,487.50
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	675,304,456.52	283,400,046.02	958,704,502.54	263,312,626.65	25,459,995.83	288,772,622.48
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	412,444,141.51	994,644,707.28	1,407,088,848.79	1,091,121,678.89	98,469,272.11	1,189,590,951.00
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	1,764,277,235.34	1,738,127,872.48	3,502,405,107.82	1,471,204,786.54	51,048,844.18	1,522,253,630.72

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

VII. EQUITY IN OTHER ENTITIES (continued)**1. Equity in subsidiaries** (continued)**(3) Major financial information on important non-wholly owned subsidiaries** (continued)

Name of subsidiaries	Current assets	Non-current assets	Balance at the Beginning of the Year			
			Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司) (consolidated)	1,265,878,945.72	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. (珠海麗珠試劑股份有限公司) (consolidated)	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. (珠海市麗珠單抗生物技術有限公司) (consolidated)	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. (麗珠集團新北江製藥股份有限公司) (consolidated)	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

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. (上海麗珠製藥有限公司) (consolidated)	1,755,622,629.44	507,539,781.14	507,539,781.14	533,149,949.17	1,334,829,780.23	362,523,575.95	362,523,575.95	404,848,033.38
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	728,974,566.95	58,594,770.35	58,459,331.06	-24,438,571.62	1,393,471,642.62	468,663,456.99	468,334,042.82	676,257,776.76
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	43,183,161.41	-347,064,408.35	-347,091,408.26	-489,819,516.99	1,052,831.57	-218,561,549.54	-218,713,412.69	-197,320,987.94
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	2,064,215,061.28	379,187,831.91	379,187,831.91	479,873,023.82	1,704,887,343.62	353,579,401.24	353,579,401.24	385,009,131.43

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

- ① Changes in the share of the owners' equity of the subsidiaries
The offshore financing were transferred onshore (Please refer to Note X. 5(6) ① Connected transactions in relation to reorganization of shareholding structures of controlling subsidiaries).
- ② Impact of the transactions on the minority shareholders' equity and the owners' equity attributable to the parent company

Item	Livzon International Limited · Livzon Bio, Inc. (珠海市麗珠生物醫藥科技 有限公司) Other changes
Purchase cost/consideration for disposal:	
Cash	0.00
Fair value of non-cash assets	0.00
Total purchase cost/consideration for disposal	0.00
Less: Share of net assets of subsidiary based on the equity acquired/disposed of	-173,960,474.39
Difference	173,960,474.39
Of which: Adjustment to capital reserve	173,960,474.39

2. Equity in joint ventures or associates

(1) Important associates

Name of joint ventures or associates	Principal place of business	Place of registration	Nature of business	Percentage of shareholding (%)		Accounting treatments for investments in joint ventures or associates
				Direct	Indirect	
Associates						
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	Tianjin	Tianjin	Manufacture of medicine	40.00		Equity method

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

VII. EQUITY IN OTHER ENTITIES (continued)**2. Equity in joint ventures or associates** (continued)**(2) Major financial information on important associates**

Item	Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) 2021.12.31
Current assets	404,164,037.16
Non-current assets	692,223,468.20
Total assets	1,096,387,505.36
Current liabilities	149,335,268.87
Non-current liabilities	133,207,641.93
Total liabilities	282,542,910.80
Net assets	813,844,594.56
Of which: Minority interests	181,114,393.96
Owners' equity attributable to the parent company	632,730,200.60
Net assets shares calculated based on the proportion of the shares	253,092,080.24
Adjusting items	
Of which: Goodwill	498,457,683.68
Unrealized profit or loss of intra-transaction	0.00
Provision for impairment	0.00
Others	0.00
Carrying amount of equity investment in associates	751,549,763.92
Fair value of equity investments with public offer	Suspension of trading since 22 June 2021

Item	Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) Amount for the Year
Operating income	1,011,769,913.39
Net profit	234,133,625.31
Net profit from discontinued operations	0.00
Other comprehensive income	37,050,491.09
Total comprehensive income	277,748,546.50
Dividends received by the enterprise from associates for the Year	40,040,000.00

The Company calculated share of assets by shareholding ratio based on the amount attributable to the parent company in the associates' consolidated financial statements. The amounts of associates on the consolidated financial statements take into account the fair value of net identifiable assets and liabilities of the associate when acquiring the investment and the effect of unifying accounting policies.

VII. EQUITY IN OTHER ENTITIES *(continued)*

2. Equity in joint ventures or associates *(continued)*

(3) Summarized financial information of other non-important associates

Item	Balance at the End of the Year/ Amount for the Year	Balance for Last Year/ Amount for Last Year
Associates:		
Total carrying amount of investments	313,418,486.08	245,115,479.10
Total amount calculated by percentage of shareholding		
Net profit	-13,556,957.07	1,907,349.46
Other comprehensive income	-30,268.27	-40,317.61
Total comprehensive income	-13,587,225.34	1,867,031.85

(4) Explanation of major restrictions on the capacity of capital transfer from joint ventures or associates to the Company

Nil.

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The major financial instruments of the Company include monetary funds, bills receivable, accounts receivable, other receivables, non-current assets due within one year, other current assets, financial assets held for trading, other equity instrument investments, long-term receivables, bills payable, accounts payable, other payables, short-term 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 Company to minimize these risks are disclosed as below. The management of the Company manages and monitors the exposure of these risks to ensure the above risks are controlled in the limited range.

1. Risk management objectives and policies

The operation activities of the Company are subject to various types of financial risks: market risk (mainly including foreign exchange risks and interest rate risks), credit risk and liquidity risk. The Company formulates an overall risk management plan with respect to the unforeseeability of the financial market in order to minimize the potential adverse impacts on the financial performance of the Company.

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

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

1. Risk management objectives and policies *(continued)*

(1) Foreign exchange risk

The Company conducts its operations primarily in China. Substantially all of the transactions are denominated and settled in Renminbi. However, the Company still has some import and export businesses regarding APIs and diagnostic reagents that are settled in U.S. dollar and Japanese Yen. The Company's businesses outside China (mainly in Hong Kong) are settled in Hong Kong dollars. In addition, the Company will have foreign currency loans according to the operating needs. In summary of the above, the Company still exposes to certain foreign exchange risks. Taking into account the foreign exchange risks acceptable to the Company, the Company adopted non-hedging foreign currency forward contracts to control foreign exchange risk. However, as to the foreign exchange risk in loans, the Company shall closely monitor the trend of the exchange rate of Renminbi, and timely adjust the extent of borrowings, so as to minimize the risks.

Financial assets and liabilities in foreign currencies held by the Company expressed in Renminbi are stated below:

① 31 December 2021

Unit: RMB'000

Item	HKD item	USD item	Euro item	JPY item	CHF item	MOP item
Financial assets in foreign currency:						
Monetary funds	58,037.41	1,032,929.54	556.14	2,406.62	0.00	1,121.33
Financial assets held for trading	163,071.45	0.00	0.00	0.00	0.00	0.00
Accounts receivable	0.00	399,047.63	4,493.18	0.00	0.00	2,824.85
Other receivables	856.27	0.00	0.00	0.00	0.00	461.23
Other equity instrument investments	339,104.38	0.00	0.00	0.00	0.00	0.00
Subtotal:	561,069.51	1,431,977.17	5,049.32	2,406.62	0.00	4,407.41
Financial liabilities in foreign currency:						
Accounts payable	0.00	213.29	40.90	0.00	0.00	11.01
Other payables	2,502.02	16,034.63	0.00	0.00	0.00	0.00
Subtotal:	2,502.02	16,247.92	40.90	0.00	0.00	11.01

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

1. Risk management objectives and policies *(continued)*

(1) Foreign exchange risk *(continued)*

② 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 receivable	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
Subtotal:	593,009.61	1,243,838.43	1,916.22	0.00	0.00	3,931.21
Financial liabilities in foreign currency:						
Accounts payable	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
Subtotal:	204.86	7,619.51	45.46	6,688.92	0.00	0.00

As at 31 December 2021, in respect of the Company's financial assets and liabilities denominated in Hong Kong dollar, U.S. dollar, Euro, Japanese Yen and Macau dollar, should the value of RMB appreciate or depreciate by 5% against Hong Kong dollar, U.S. dollar, Euro, Japanese Yen and Macau dollar, and other factors remain unchanged, the Company would be subject to an increase or decrease in profit of approximately RMB99,305,410 (31 December 2020: approximately RMB91,406,840).

(2) Interest rate risk

The Company's exposures to interest rate risk are mainly arising from interest-bearing liabilities such as bank loans and bonds payable. The interest rates are affected by the macro monetary policies of China, hence the Company will face the risks arising from fluctuations of interest rates in the future.

The finance department of the head office of the Company continues to monitor the level of interest rate. The rise in the interest rate will increase the cost of additional interest-bearing liabilities and the interest expenses of the Company's outstanding interest-bearing liabilities of which the interests are calculated at floating rates, and will have material adverse impact on the financial results of the Company. The management will make timely adjustment based on the updated market conditions. The directors of the Company consider that the future changes in the interest rate will not have material adverse impact on the operating results of the Company.

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)***1. Risk management objectives and policies** *(continued)***(3) Credit risk**

Credit risk is primarily attributable to cash and cash equivalents, restricted funds, accounts receivable and other receivables. In respect of deposits at banks, they are placed in several banks with good reputation, and the credit risk faced by us is limited. In respect of receivables, the Company will assess the credit limit granted to customers for credit purpose. Moreover, as the customer base is large, the credit risk from accounts receivable is not concentrated. In respect of the settlement of bills receivable, since more quality bills such as bank acceptance bills are used, it is expected that there should be no significant credit risks as to whether the Company decides to hold the bills for redemption upon maturity or endorse them to external parties for payment based on capital requirements. In addition, the impairment provisions for accounts receivable and other receivables are adequate to manage the credit risk.

Among the accounts receivable of the Company, the accounts receivable from the top five customers accounted for 10.11% (31 December 2020: 11.34%); among other receivables of the Company, the other receivables from the top five customers accounted for 57.46% (31 December 2020: 70.12%).

(4) Liquidity risk

Liquidity risk refers to the risk of shortage of funds that the Company may encounter in meeting its obligations of settlement by delivering cash or other financial assets.

The Company adopts prudent liquidity risk management for the sufficient supply of monetary funds and liquidity. It secures readily available credit loans from banks mainly by maintaining adequate monetary funds and banking facilities. Apart from indirect financing from banks, a number of financing channels are available, such as direct financing by inter-bank market (including short-term financing bills and medium-term notes) and corporate bonds etc. These instruments can effectively reduce the effects of the scale of financing and the macro monetary policies of China on indirect bank financing, and enable us to secure adequate funds in a flexible manner.

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(4) Liquidity risk (continued)

As at the balance sheet date, the contractual cash flows of financial assets and financial liabilities of the Company are presented below in terms of maturity:

① 31 December 2021

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Monetary funds	9,146,373,455.01	0.00	0.00	0.00	9,146,373,455.01
Financial assets held for trading	182,773,354.56	0.00	0.00	0.00	182,773,354.56
Bills receivables	1,342,029,380.44	0.00	0.00	0.00	1,342,029,380.44
Accounts receivable	1,951,898,111.20	0.00	0.00	0.00	1,951,898,111.20
Other receivables	47,768,970.54	0.00	0.00	0.00	47,768,970.54
Non-current assets due within 1 year	317,381.23	0.00	0.00	0.00	317,381.23
Long-term receivables	0.00	266,904.13	0.00	0.00	266,904.13
Subtotal:	12,671,160,652.98	266,904.13	0.00	0.00	12,671,427,557.11
Financial liabilities:					
Short-term loans	2,043,048,023.71	0.00	0.00	0.00	2,043,048,023.71
Financial liabilities held for trading	143,302.24	0.00	0.00	0.00	143,302.24
Bills payable	1,026,619,858.93	0.00	0.00	0.00	1,026,619,858.93
Accounts payable	790,679,701.29	0.00	0.00	0.00	790,679,701.29
Other payables	2,416,840,968.10	0.00	0.00	0.00	2,416,840,968.10
Non-current liabilities due within one year	9,284,335.86	0.00	0.00	0.00	9,284,335.86
Lease liabilities	0.00	3,805,277.68	1,468,963.12	0.00	5,274,240.80
Long-term loans	0.00	356,780,252.78	280,000,000.00	0.00	636,780,252.78
Subtotal:	6,286,616,190.13	360,585,530.46	281,468,963.12	0.00	6,928,670,683.71

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

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

1. Risk management objectives and policies *(continued)*

(4) Liquidity risk *(continued)*

② 31 December 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 receivable	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
Subtotal:	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 payable	918,007,030.57	0.00	0.00	0.00	918,007,030.57
Accounts payable	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
Subtotal:	5,359,944,324.57	6,547,338.47	363,875,714.43	0.00	5,730,367,377.47

2. Capital management

The capital management policies are made to keep the continuous operation of the Company, to enhance the return to shareholders, to benefit other stakeholders and to maintain the best capital structure to minimize the cost of capital.

For the maintenance or adjustment of the capital structure, the Company may adjust financing methods, the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments or make an asset disposal to reduce the liabilities.

The Company monitors the capital structure with the gearing ratio (calculated by dividing total liabilities by total assets). On 31 December 2021, the Company's gearing ratio is 36.03% (31 December 2020: 33.76%).

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 2021, the Company's carrying amount of bank acceptance bills undue and endorsed to suppliers for settling accounts payable was RMB169,604,780.51 (31 December 2020: RMB179,210,581.73); the Company had no commercial acceptance bills undue and endorsed to suppliers for settling accounts payable (31 December 2020: RMB0.00). On 31 December 2021, the due dates were within 1 to 7 months. In accordance with the relevant provisions of the Law of Negotiable Instruments, if payment is refused by the bank of acceptance, the holder of the bills shall have a right of recourse against the Company (the "Continuing Involvement"). In the opinion of the Company, the Company had transferred substantially all risks and rewards of the bills. Accordingly, their carrying amounts and the associated accounts payable which had been settled would be derecognized. The maximum loss and the undiscounted cash flows from the Continuing Involvement and repurchase was equal to their carrying amounts. In the opinion of the Company, the fair value of the Continuing Involvement was not significant.

In 2021, no gain or loss was generated by the Company on the date of transfer of the bills. The Company had no current or accumulated gain or expense arising from the Continuing Involvement in financial assets which had been derecognized. The endorsement was incurred evenly throughout the 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.

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

IX. FAIR VALUE *(continued)*

(1) Items and amounts measured at fair value

As at 31 December 2021, 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	177,262,015.99	5,511,338.57	0.00	182,773,354.56
1. Debt instrument investments	940,162.94	0.00	0.00	940,162.94
2. Equity instrument investments	176,321,853.05	0.00	0.00	176,321,853.05
3. Derivative financial assets	0.00	5,511,338.57	0.00	5,511,338.57
(II) Other equity instrument investments	0.00	0.00	629,914,544.37	629,914,544.37
Total assets measured at fair value on a recurring basis	177,262,015.99	5,511,338.57	629,914,544.37	812,687,898.93
(III) Financial liabilities held for trading				
1. Derivative financial liabilities	0.00	143,302.24	0.00	143,302.24
Total liabilities measured at fair value on a recurring basis	0.00	143,302.24	0.00	143,302.24
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 2021, there were no transfers of the fair value measurements between level 1 and level 2 and no transfers into or out of level 3.

For financial instruments traded in an active market, the Company measures their fair value at quoted price in the active market. The Company's debt instrument investment and equity instrument investment held for trading are listed and traded in Shenzhen, Hong Kong and the United States, and their fair values are determined based on the closing price on the last trading day of the Reporting Period.

For financial instruments that are not traded in an active market, the Company measures their fair value using valuation techniques. The valuation models used are mainly discounted cash flow model and market comparable entity model. Inputs of the valuation techniques mainly include risk-free interest rate, benchmark interest rate, foreign exchange rate, credit spread, liquidity premium, lack of liquidity discount, etc.

(2) Information about the fair value measurement of level 2

Item	Fair value at the End of the Year	Valuation techniques
Derivative financial assets	5,511,338.57	The fair value is measured at the forward exchange rates quoted by the respective matured contract
Derivative financial liabilities	143,302.24	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 – Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)	164,395,200.00	Market method
Other equity instrument investments – Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物醫藥(上海)有限公司)	59,999,953.41	latest financing price
Other equity instrument investments – Zhuhai Medpha Biotechnology Co., Ltd. (珠海麥得發生物科技股份有限公司)	6,971,000.00	latest financing price
Other equity instrument investments – Beijing Luzhu Biotechnology Co., Ltd. (北京綠竹生物技術股份有限公司)	41,944,015.67	latest financing price
Other equity instrument investments-GLOBAL HEALTH SCIENCE	235,133,216.46	Net assets
Other equity instrument investments-SCC VENTURE VI 2018-B,L.P.	6,615,626.07	Net assets
Other equity instrument investments-Nextech V Oncology S.C.S., SICAV-SIF	30,667,263.04	Net assets
Other equity instrument investments – Others	84,188,269.72	Cost method

X. RELATED PARTIES AND RELATED TRANSACTIONS

1. Parent company of the Company

Name of parent company	Place of registration	Nature of business	Registered capital (RMB0'000)	Percentage of the Company's shareholding held by the parent company (%)	Percentage of the Company's voting rights held by the parent company (%)
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Shenzhen	Production and operation of oral liquid, drugs and healthcare food	190,772.7908	23.60	23.60

Notes to the parent company of the Company:

As at 31 December 2021, the Company's parent company and its subsidiaries held a total of 418,878,625 shares in the Company, representing 44.66% 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.

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

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

3. Joint ventures and associates of the Company

Please refer to Note V.11. and Note VII.2. for the details of the joint ventures and associates.

Other joint ventures or associates entered into related transactions with the Company during the year, or during the prior period with remaining closing balance were as follows:

Name of joint ventures or associates	Relationship with the Company
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Associate
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	Associate
AbCyte Therapeutics Inc.	Associate
L&L Biopharma, Co., Ltd. (上海健信生物醫藥科技有限公司)	Associate
Zuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Associate
Zuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	A company controlled by the associate
Zuhai Hengqin Weisheng Precision Medicine Technology Co., Ltd. (珠海橫琴維勝精準醫學科技有限公司)	A company controlled by the associate
Aetio Biotherapy, Inc.	Associate
Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Associate and a company controlled by the parent company
Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd. (江蘇新元素醫藥科技有限公司)	Associate
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	Associate
Beijing Infinite Intelligence Pharmaceutical Technology Co., Ltd. (北京英飛智藥科技有限公司)	Associate

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

4. Other related parties of the Company

Name of related parties	Relationship with the Company
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	A company controlled by the parent company
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	A company controlled by the parent company
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	A company controlled by the parent company
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	A company controlled by the parent company
Zhuhai Joincare Pharmaceutical Co., Ltd. (珠海健康元生物醫藥有限公司)	A company controlled by the parent company
Health Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	A company controlled by the parent company
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	A company controlled by the parent company
Shenzhen Taitai Biotechnology Co., Ltd. (深圳太太生物科技有限公司)	A company controlled by the parent company
Shenzhen Taitai Gene Engineering Co., Ltd. (深圳太太基因工程有限公司)	A company controlled by the parent company
Topsino Industries Limited (天誠實業有限公司)	A company controlled by the parent company
Guangzhou Joincare Respiratory Drugs Engineering Technology Co., Ltd. (廣州健康元呼吸藥物工程技術有限公司)	A company controlled by the parent company
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	A company controlled by the parent company
Joincare (Guangdong) Special Medicine Food Co., Ltd. (健康元(廣東)特醫食品有限公司)	A company controlled by the parent company
Joincare Pharmaceutical Group Industry Co., Ltd.	A company controlled by the parent company
Zhuozhou Jingnan Yongle Golf Club Co., Ltd. (涿州京南永樂高爾夫俱樂部有限公司)	A company controlled by the controlling shareholder of the parent company
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Subsidiaries of the company in which a Director of the Company holds position
Zhuhai Medpha Biotechnology Co., Ltd. (珠海麥得發生物科技股份有限公司)	A company in which a senior management of the Company holds position
Zhuhai Xianghetai Investment Management Partnership (Limited Partnership) (珠海祥和泰投資管理合夥企業(有限合夥))	An enterprise controlled by senior management of the Company
Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥))	An enterprise controlled by a Director
Zhuhai Liying Investment Management Partnership (Limited Partnership) (珠海麗英投資管理合夥企業(有限合夥))	An enterprise controlled by a Director
Jiangsu Yiyinjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	A company controlled by a Director
Directors, Supervisors and other senior management personnel	Key management personnel

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

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	Amount for the Current Year	Amount 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	2,786,053.10	3,938,902.64
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Raw materials	The market price	32,233,170.04	32,805,380.68
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	Raw materials	The market price	11,481,389.40	7,812,676.13
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Finished goods	The market price	439,026.55	526,450.43
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Finished goods	The market price	28,558.55	184,070.79
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	0.00	27,079.65
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Raw materials	The market price	207,819,120.81	256,905,158.82
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Finished goods	The market price	249,299.67	0.00
Jiangsu Yiyinjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	Finished goods	The market price	393,427.00	0.00
Purchase of goods in aggregate			255,430,045.12	302,199,719.14

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)**5. Related transactions** (continued)**(1) Purchase and sales** (continued)

① Purchase of goods, receipt of services (continued)

Related party	Description of related party transaction	Pricing basis and decision – making procedures of the related party transactions	Amount for the Current Year	Amount for the Previous Year
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Water, electricity, and power	The market price	21,642,530.54	19,844,218.67
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	4,360,347.94	9,350,000.00
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Testing	The market price	14,377.36	52,415.09
L&L Biopharma, Co., Ltd. (上海健信生物醫藥科技有限公司)	R&D	Based on negotiation	943,396.20	0.00
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	Business promotion	Based on negotiation	1,062,850.00	0.00
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Business promotion	Based on negotiation	638,573.00	0.00
Jiangsu Yiyinjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)	Business promotion	Based on negotiation	15,000.00	0.00
Zhuozhou Jingnan Yongle Golf Club Co., Ltd. (涿州京南永樂高爾夫俱樂部有限公司)	Membership service	Based on negotiation	84,037.00	0.00
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Modern service	Based on negotiation	30,879.08	0.00
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Modern service	Based on negotiation	58,534.66	0.00
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Modern service	Based on negotiation	24,848.51	0.00
Beijing Infinite Intelligence Pharmaceutical Technology Co., Ltd. (北京英飛智藥科技有限公司)	R&D	Based on negotiation	148,514.85	0.00
Receipt of services in aggregate			29,023,889.14	29,246,633.76

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

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	Amount for the Current Year	Amount 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	57,120,584.28	34,929,592.99
Jiaozuo Jincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Raw materials	The market price	0.00	695,390.81
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Finished goods	The market price	1,465,615.07	829,155.53
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Finished goods	The market price	1,124,336.29	143,362.83
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	0.00	209,736.83
Jincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Finished goods	The market price	1,146,902.65	625,233.98
Jincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Finished goods	The market price	40,412.85	11,369.85
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Finished goods	The market price	93,005.23	63,417.64
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Finished goods	The market price	4,951,551.99	0.00
Sales of goods in aggregate			65,942,408.36	37,507,260.46

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(1) Purchase and sales (continued)

② Sales of goods, provision of services (continued)

Related party	Description of related party transaction	Pricing basis and decision – making procedures of the related party transactions	Amount for the Current Year	Amount for the Previous Year
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Water, electricity and power	The market price	6,852,302.17	6,655,343.25
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Water, electricity, power and others	The market price	484,447.91	364,967.23
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	667,998.89	1,337,996.41
Provision of services in aggregate			8,004,748.97	8,358,306.89
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Processing and testing	Based on negotiation	540,338.17	10,754,371.73
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Processing and testing	Based on negotiation	247,775.18	248,720.57
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Processing and testing	Based on negotiation	0.00	13,188.68
Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Processing and testing	Based on negotiation	134,831.42	0.00
Joincare (Guangdong) Special Medicine Food Co., Ltd. (健康元(廣東)特醫食品有限公司)	Modern service	Based on negotiation	7,648.28	0.00
Provision of services in aggregate			930,593.05	11,016,280.98

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

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)**5. Related transactions** (continued)**(2) Related party leases**

① The Company as a lessor

Name of lessee	Type of leased assets	Lease income recognized for the Current 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	91,695.36
Zhuhai Sanmed Biotech Inc. (珠海聖美 生物診斷技術有限公司)	Plant & buildings	2,226,299.00	3,067,097.00
Topsino Industries Limited (天誠實業有限公司)	Plant & buildings	25,087.71	26,269.79
Joincare (Guangdong) Special Medicine Food Co., Ltd. (健康元(廣東)特醫 食品有限公司)	Plant & buildings	253,028.56	0.00
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技 有限公司)	Plant & buildings	240,000.00	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	779,580.74	779,581.64
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	2,643,406.02

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	Amount for the Current Year	Amount for the Previous Year
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Procurement of equipment	2,282,075.90	0.00
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Acquisition of technical know-how	15,169,811.32	0.00
L&L Biopharma, Co., Ltd. (上海健信生物醫藥科技有限公司)	Acquisition of technical know-how	0.00	3,773,584.80
Shenzhen Taitai Gene Engineering Co., Ltd. (深圳太太基因工程有限公司)	Procurement of equipment	9,238.00	21,430.02
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Transfer of equity interest in Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	0.00	20,000,000.00
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	Sales of equipment	173,009.82	0.00
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Sales of equipment	57,355.55	0.00
Joicare (Guangdong) Special Medicine Food Co., Ltd. (健康元(廣東)特醫食品有限公司)	Sales of equipment	70,796.46	0.00
Zhuhai Hengqin Weisheng Precision Medicine Technology Co., Ltd. (珠海橫琴維勝精準醫學科技有限公司)	Sales of equipment	17,699.12	0.00
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)	Sales of equipment	1,393,297.00	0.00

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

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)**5. Related transactions** (continued)**(4) Related party guarantees**

① The details on the guarantees provided to the subsidiaries by the Company were set out as follows

A. Credit Facilities Guarantees

Unit: RMB0'000

Name of guaranteed party	Actual date of event (Signing date of agreement)	Balance at the End of the Year	Actual Guarantee amount	Guaranteed amount	Description and type of guarantee	Period of guarantee
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2020.3.20	3,605.25	3,605.25	15,000.00	Short-term loans, 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)	2021.9.30	15,376.57	15,376.57	30,000.00	Short-term loans, joint liability guarantee	2021.9.30-2023.8.25 (China Merchants Bank)
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2021.4.20	19,282.66	19,282.66	20,000.00	Short-term loans, joint liability guarantee	2020.12.29-2021.12.29 (China Citic Bank)
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2021.7.12	9,109.12	9,109.12	20,000.00	Short-term loans, joint liability guarantee	2021.5.20-2022.5.19 (Agricultural Bank)
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2021.5.27	19,537.54	19,537.54	30,000.00	Short-term loans, joint liability guarantee	2021.5.27-2022.5.20 (Industrial and Commercial Bank of China)
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2021.8.3	14,921.64	14,921.64	20,000.00	Short-term loans, joint liability guarantee	2021.8.3-2022.8.3 (Minsheng Bank)
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2021.9.8	3,289.97	3,289.97	30,000.00	Short-term loans, joint liability guarantee	2021.9.8-2025.9.7 (Ping An Bank)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2020.3.31	4,514.15	4,514.15	28,000.00	Opening letter of credit, 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)	2021.8.4	7,479.17	7,479.17	30,000.00	Opening letter of credit, bank acceptance bills, joint liability guarantee	2021.8.4-2024.3.22 (Industrial and Commercial 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 Guarantee amount	Guaranteed amount	Description and type of guarantee	Period of guarantee
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2021.7.28	679.27	679.27	15,000.00	Opening bank acceptance bills, joint liability guarantee	2021.7.28-2022.7.28 (Minsheng Bank)
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2020.3.30	1,007.12	1,007.12	20,000.00	Opening bank acceptance bills, joint liability guarantee	2020.3.30-2023.2.21 (Bank of Communications)
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2020.6.10	11,895.87	11,895.87	20,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2021.7.28	175.00	175.00	10,000.00	Opening letter of guarantee, joint liability guarantee	2021.7.28-2022.7.28 (Minsheng Bank)
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2020.6.10	2,653.27	2,653.27	8,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2020.5.20	250.26	250.26	4,000.00	Opening bank acceptance bills, joint liability guarantee	2020.5.20-2023.2.21 (Bank of Communications)

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

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)**5. Related transactions** (continued)**(4) Related party guarantees** (continued)

① The details on the guarantees provided to the subsidiaries by the Company were set out as follows (continued)

A. Credit Facilities Guarantees (continued)

Name of guaranteed party	Actual date of event (Signing date of agreement)	Balance at the End of the Year	Actual Guarantee amount	Guaranteed amount	Description and type of guarantee	Period of guarantee
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2021.1.4	667.70	667.70	11,000.00	Opening letter of guarantee, bank acceptance bills, joint liability guarantee	2020.12.31-2021.12.31 (Industrial and Commercial Bank of China)
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2020.6.30	5,936.43	5,936.43	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)	2020.6.10	9,799.44	9,799.44	22,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2020.6.10	2,128.07	2,128.07	8,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	2020.6.10	4,972.40	4,972.40	10,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2020.6.10	12,064.18	12,064.18	15,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (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 Guarantee amount	Guaranteed amount	Description and type of guarantee	Period of guarantee
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2021.1.14	2,465.45	2,465.45	6,000.00	Opening bank acceptance bills, joint liability guarantee	2021.1.14-2023.2.21 (Bank of Communications)
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	2021.7.28	6,578.46	6,578.46	15,000.00	Opening bank acceptance bills, joint liability guarantee	2021.7.28-2022.7.28 (Minsheng Bank)
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	2020.6.10	267.90	267.90	4,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank (China))
Total actual amount guaranteed for subsidiaries during the Reporting Period			270,627.03			
Total balance of actual amount guaranteed for subsidiaries at the end of the Reporting Period			158,656.89			

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

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(4) Related party guarantees *(continued)*

① The details on the guarantees provided to the subsidiaries by the Company were set out as follows *(continued)*

B. Pledge and guarantee of bills

On 23 April 2018, the thirteenth meeting of the ninth session of the Board of the Company reviewed and approved the "Resolution on Conducting Bills Pooling Business" and agreed that an amount of up to RMB1.4 billion for conducting bills pooling business is to be shared by the Company and its subsidiaries, such amount may be utilized on rolling basis. As at 31 December 2021, the bill pledges guaranteed are as follows:

Unit: RMB0'000

Guarantor	Pledgee	Pledged amount of bills receivable	Name of guaranteed party	Description of guarantee	Guaranteed amount	Period of guarantee
The Company	China Merchants Bank (招商銀行)	22,652.32	Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	1,985.08	Till 13 June 2022
			Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	4,321.79	Till 13 June 2022
			Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	29.34	Till 22 April 2022
			Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	9,661.91	Till 16 September 2022
			Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Opening bank acceptance bills, joint liability guarantee	517.13	Till 13 June 2022
			Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	298.43	Till 17 March 2022
			Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	510.45	Till 23 June 2022
			Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	Opening bank acceptance bills and letter of credit, joint liability guarantee	2,603.56	Till 31 July 2022
			Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	Opening bank acceptance bills, joint liability guarantee	1,064.00	Till 17 June 2022
			Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	Opening bank acceptance bills, joint liability guarantee	402.30	Till 10 June 2022
Total balance of actual guaranteed amount for subsidiaries at the End of the Reporting Period					21,393.98	

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(4) Related party guarantees *(continued)*

- ② Subsidiaries' guarantees to subsidiaries

Unit: RMB0'000

Guarantor	Pledgee	Pledged amount of bills receivable	Name of guaranteed party	Description of guarantee	Guaranteed amount	Period of guarantee
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	China Citic Bank (中信銀行)	4,308.23	Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	4,279.55	Till 17 June 2022

- 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 and the guarantee period of which has been expired on 24 December 2021. During the Year, the Company provided guarantee to Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司) at an actual amount of RMB29.00 million. As at 31 December 2021, the total balance of actual amount guaranteed by the Company to Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司) was nil.

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)***5. Related transactions** *(continued)***(4) Related party guarantees** *(continued)*

④ Guarantee provided to the Company by related parties

Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司), the other shareholder of Livzon MABPharm Inc. has provided a "Letter of Undertaking for Counter Guarantee", pursuant to which it has undertaken to provide a joint liability guarantee for 33.07% of the obligation of the Company under the guarantee granted to Livzon MABPharm Inc. and the guarantee period of which will be expired on the expiry date of the Company's obligation thereunder.

Zhuhai 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. (麗珠集團新北江製藥股份有限公司) and the guarantee period of which will be expired on the expiry date of the Company's obligation thereunder.

Other shareholders of Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司) including Li Lin and Shi Jianfeng have provided "Letter of Undertaking for Counter Guarantee", pursuant to which they have 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

2021

Unit: RMB0'000

	Fees of Director/ Supervisor	Salaries and allowances	Social insurance	Housing provident fund	Bonus	Signing bonus	Compensation for loss of office	Others	Total
Non-executive Directors:									
Zhu Baoguo (朱保國)	325.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	325.00
Tao Desheng (陶德勝)	300.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	300.00
Qiu Qingfeng (邱慶豐)	9.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.60
Yu Xiong (俞雄)	9.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.60
Executive Directors:									
Tang Yanggang (唐陽剛)	9.60	110.77	4.98	1.56	325.38	0.00	0.00	18.05	470.34
Xu Guoxiang (徐國祥)	300.00	92.31	4.48	1.56	388.46	0.00	0.00	18.19	805.00
Independent Non-executive Directors:									
Bai Hua (白華)	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.00
Zheng Zhihua (鄭志華)	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.00
Xie Yun (謝耘)	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.00
Tian Qiusheng (田秋生)	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.00
Wong Kam Wa (黃錦華)	12.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.00
Luo Huiyuan (羅會遠)	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.00
Cui Lijie (崔麗婕)	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.00
Supervisors:									
Wang Maolin (汪卯林)	7.20	50.77	4.94	1.56	82.52	0.00	0.00	11.96	158.94
Tang Yin (湯胤)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Huang Huamin (黃華敏)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Other senior management:									
Yang Daihong (楊代宏)	0.00	92.31	4.96	1.56	172.00	0.00	0.00	17.77	288.60
Xu Peng (徐朋)	0.00	92.31	0.00	0.00	238.50	0.00	0.00	0.64	331.45
Si Yanxia (司燕霞)	0.00	92.31	4.96	1.56	152.31	0.00	0.00	18.18	269.32
Zhou Peng (周鵬)	0.00	83.08	4.96	1.56	89.62	0.00	0.00	17.85	197.06
Huang Yuxuan (黃瑜璇)	0.00	83.08	4.85	3.34	224.62	0.00	0.00	18.50	334.38
Yang Liang (楊亮)	0.00	73.85	4.95	1.56	107.27	0.00	0.00	17.89	205.52
Total	1,030.60	770.77	39.08	14.27	1,780.68	0.00	0.00	139.02	3,774.41

Mr. Luo Huiyuan (羅會遠) was appointed in July 2021; Ms. Cui Lijie (崔麗婕) was appointed in July 2021; Mr. Zheng Zhihua (鄭志華) resigned in July 2021; and Mr. Xie Yun (謝耘) resigned in July 2021.

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

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)**5. Related transactions** (continued)**(5) Remuneration of key management personnel** (continued)

① Directors', supervisors' and senior management's remuneration is disclosed as follows (continued)

2021 (continued)

Except for participating in pension insurance and unemployment insurance plans established by the government as required, the Company has not provided other pension plans to all current and former directors, supervisors and senior management.

2020

Unit: RMB0'000

	Fees of Director/Supervisor	Salaries and allowances	Social insurance	Housing provident fund	Bonus	Signing bonus	Compensation for loss of office	Others	Total
Non-executive Directors:									
Zhu Baoguo (朱保國)	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 Yangang (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 (徐焱軍)	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 Qiusheng (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 Maojin (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 (俞雄) was appointed in June 2020, Mr. Bai Hua (白華) was appointed in June 2020 and Mr. Xu Peng (徐朋) was appointed in April 2020. Mr. Dai Weiguo (戴衛國) resigned in May 2020 and Mr. Xu Yanjun (徐焱軍) retired in June 2020.

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)**5. Related transactions** (continued)**(5) Remuneration of key management personnel** (continued)

② Individuals with highest emoluments

For 2021, three of the five highest paid individuals were directors of the Company and two of them were members of the senior management of the Company; for 2020, four of the five highest paid individuals were directors of the Company and 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, pension of HK\$18,000. 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	2021	2020
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	—	—
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	—	—
Number of individuals within the band of \$4,500,001-\$5,000,000	1	—
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
Number of individuals within the band of \$7,000,001-\$7,500,000	—	—
Number of individuals within the band of \$7,500,001-\$8,000,000	—	—
Number of individuals within the band of \$8,000,001-\$8,500,000	1	—

③ Emoluments band of senior management

Item	2021	2020
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	—	—
Number of individuals within the band of \$1,500,001-\$2,000,000	2	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	2	3
Number of individuals within the band of \$3,000,001-\$3,500,000	2	1
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	—	—
Number of individuals within the band of \$4,500,001-\$5,000,000	1	—
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
Number of individuals within the band of \$7,000,001-\$7,500,000	—	—
Number of individuals within the band of \$7,500,001-\$8,000,000	—	—
Number of individuals within the band of \$8,000,001-\$8,500,000	1	—

During the years 2021 and 2020, no emolument was paid by the Company to the five highest paid individuals as an inducement to join or upon joining the Company; or as compensation for loss of office. None of the directors or supervisors waived any remuneration.

X. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)***5. Related transactions** *(continued)***(6) Other related transactions**

① Connected Transactions in Relation to Reorganization of Shareholding Structures of Controlling Subsidiaries

The Company, Livzon International Limited ("Livzon International", a wholly-owned subsidiary of the Company), Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司) ("Joicare"), Joicare Pharmaceutical Group Industry Co., Ltd. ("Joicare BVI", a wholly-owned subsidiary of Joicare), YF Pharmab Limited ("YF") and Livzon Biologics Limited ("Livzon Cayman", a controlling company of the Company), as well as its controlled entities, including Livzon Biologics Hong Kong Limited (麗珠生物科技香港有限公司), ("Livzon HK"), Livzon Bio, Inc. (珠海市麗珠生物醫藥科技有限公司)("LivzonBio"), Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) ("Livzon MAB"), Zhuhai Kadi Medical Biotechnology Inc. (珠海市卡迪生物醫藥有限公司) ("Kadi") (collectively known as the "Subsidiaries under Livzon Cayman") have jointly entered into the reorganization framework agreement (the "Reorganization Framework Agreement"), pursuant to which the parties have agreed to implement the proposed reorganization of shareholding structures of the Subsidiaries under Livzon Cayman, so that LivzonBio will become the controlling company of the domestic and overseas Subsidiaries under Livzon Cayman. On 8 January 2021, the Resolution on the Connected Transactions in relation to the Reorganization of the Shareholding Structures of the Controlling Subsidiaries of the Company was passed at the 2021 first extraordinary general meeting of the Company, at which the above transaction was considered and approved. Details of the transaction were set out as below:

- A. The equity transfer and capital increase of LivzonBio: the Company and Joicare agreed to acquire 51% and 49% equity interest in LivzonBio from Livzon HK at a consideration of RMB24,316,290 and RMB23,362,710, respectively.

Meanwhile, the registered capital of LivzonBio was increased from RMB250 million to RMB600 million with pro rata registered capital subscription from the Company and Joicare on the basis of RMB1 of the registered capital for RMB1 of the subscription, of which the Company contributed RMB281,722,419.00 and Joicare contributed RMB270,674,481.00, respectively.

- B. Transfer to the domestic market from the overseas through Series A Financing : the Company and YF made investment in LivzonBio, pursuant to which the Company and YF subscribed for the increased registered capital of RMB147,401,875 and RMB74,954,742 of LivzonBio at a consideration of US\$98,299,320 (equivalent to RMB637,421,940.54) and US\$50,000,000 (equivalent to RMB324,225,000.00), respectively.
- C. Equity transfer of Livzon MAB: LivzonBio acquired the 100% equity interest of Livzon MAB from Livzon HK at a consideration of RMB1.48 billion.
- D. Equity transfer and capital reduction of Livzon HK: LivzonBio acquired the 100% equity interest of Livzon HK from Livzon Cayman at a consideration of US\$6.10 million (equivalent to RMB39,445,700). Livzon HK returned capital to Livzon Cayman, so that Livzon Cayman recovered part of the investment amount in Livzon HK, which is equivalent to the total capital reduction paid to Livzon International, Joicare BVI and YF upon capital reduction of Livzon Cayman.

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(6) Other related transactions (continued)

① Connected Transactions in Relation to Reorganization of Shareholding Structures of Controlling Subsidiaries (continued)

E. Streamline the overseas shareholding structure: Each of Livzon International, YF and Joincare BVI issued a Repurchase Letter to Livzon Cayman, pursuant to which Livzon Cayman repurchased its shares held by them. As at 13 May 2021, Livzon Cayman had repurchased an aggregate of 137,074,829 issued shares and had fully settled the corresponding consideration. The above share repurchases have been completed and Livzon Cayman only preserves 1 issued ordinary share, which will be held by Livzon International, and Livzon Cayman has become a wholly-owned subsidiary of Livzon International.

② The establishment of company through joint contribution with the related party

On 30 March 2021, the Company and Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司) established Shanghai Liyu Biopharmaceutical Technology Co., Ltd. (上海麗予生物醫藥技術有限責任公司) at the registered capital of RMB3.00 million, of which the Company and Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. contributed RMB1.65 million and RMB1.35 million in proportion of 55% and 45% of the registered capital, respectively.

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	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Bills receivables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	1,381,581.09	0.00	2,973,474.10	0.00
Bills receivables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	5,492,960.00	0.00	0.00	0.00
Bills receivables	Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	735,000.00	0.00	0.00	0.00
Subtotal of bills receivables		7,609,541.09	0.00	2,973,474.10	0.00
Accounts receivables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	18,889,500.00	490,875.00	5,092,960.00	52,457.49
Accounts receivables	Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	224,023.83	8,578.07	38,563.14	374.06
Accounts receivables	Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	0.00	0.00	74,381.43	721.50
Accounts receivables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	74,479.40	715.00	0.00	0.00
Accounts receivables	Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	0.00	0.00	162,000.00	1,603.80
Accounts receivables	Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	337,395.02	48,933.97	0.00	0.00
Subtotal of accounts receivables		19,525,398.25	549,102.04	5,367,904.57	55,156.85

(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	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Prepayments	Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	0.00	0.00	153,900.00	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	211,200.00	0.00
Prepayments	Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	154,500.00	0.00	0.00	0.00
Subtotal of prepayments		365,700.00	0.00	365,100.00	0.00
Other receivables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	1,271,496.55	21,233.99	0.00	0.00
Other receivables	Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	0.00	0.00	15,000,000.00	415,461.96
Other receivables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	0.00	0.00	6,378,965.95	63,789.66
Other receivables	Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	5,265.00	87.93	10,530.00	291.65
Other receivables	Joincare (Guangdong) Special Medicine Food Co., Ltd. (健康元(廣東)特醫食品有限公司)	84,680.42	863.74	0.00	0.00
Subtotal of other receivables		1,361,441.97	22,185.66	21,389,495.95	479,543.27
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))	0.00	0.00	10,967,767.26	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)	0.00	0.00	1,740,994.29	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)	100,495,007.12	75,501,682.49
Bills payables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	18,597,167.10	12,059,563.40
Bills payables	Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	40,000.00	40,000.00
Bills payables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	379,960.00	0.00
Subtotal of bills payables		119,512,134.22	87,601,245.89
Accounts payables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	0.00	0.00
Accounts payables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	6,057,630.42	0.00
Accounts payables	Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	0.00	8,788,324.00
Accounts payables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	78,885,432.23	89,011,757.84
Subtotal of accounts payables		84,943,062.65	97,800,081.84
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))	0.00	1,466,606.04
Other payables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	9,899,766.99	5,695,618.89
Other payables	Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	8,936.17	0.00
Subtotal of other payables		9,908,703.16	5,695,618.89

XI. SHARE-BASED PAYMENT**1. General information about share-based payment**

Total equity instruments granted during the Year by the Company (Share)	–
Total equity instruments exercised during the Year by the Company (Share)	5,752,133
Total equity instruments of the Company expired during the Year (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, 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”, 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”, 162,912 share options under the first exercise period held but not yet exercised by 55 Incentive Participants and 1,535,765 share options granted and no longer meeting the exercising conditions to 129 Incentive Participants who had resigned due to personal reasons and were therefore no longer qualified for the incentive are cancelled. After the completion of the cancellation, the number of Incentive Participants for the first grant of the 2018 Share Options Incentive Scheme of the Company was adjusted from 1,033 to 904, while the number of share options under the first grant was adjusted from 22,463,155 to 20,764,478.

On 10 November 2021, the 25th meeting of the tenth session of the Board of Directors of the Company considered and approved the “Resolution relating to Cancellation of Certain Share Options under the 2018 Share Option Incentive Plan”, 323,274 share options under the second exercise period held but not yet exercised by 80 Incentive Participants and 673,422 share options granted and no longer meeting the exercising conditions to 107 Incentive Participants who were no longer qualified for the incentive are cancelled. After the completion of the cancellation, the number of Incentive Participants for the first grant of the 2018 Share Options Incentive Scheme of the Company was adjusted from 904 to 797, while the number of share options under the first grant was adjusted from 20,764,478 to 19,767,782.

As at 31 December 2021, the number of share options exercised was 14,598,360 and the number of outstanding share options was 5,169,422.

XI. SHARE-BASED PAYMENT *(continued)*

1. General information about share-based payment *(continued)*

Note 1: Share Option *(continued)*

- ② On 28 August 2019, the 31st meeting of the ninth session of the Board of Directors of the Company considered and approved the "Resolution relating to Relevant Issues concerning the Reserved Grant under the 2018 Share Options Incentive Scheme", the Board of Directors approved 28 August 2019 as the date of grant, on which 2,535,000 share options were granted to 145 Incentive Participants and the exercise price was RMB28.87 per A share.

On 18 September 2019, the 32nd meeting of the ninth session of the Board of Directors of the Company considered and approved the "Resolution relating to Adjusting the List of Incentive Participants under the Reserved Grant of the 2018 Share Options Incentive Scheme", the number of Incentive Participants under the reserved grant of the share 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", 309,900 share options granted and no longer meeting the exercising conditions to 10 incentive participants who had resigned due to personal reasons and were therefore no longer qualified for the incentive are cancelled. After the completion of the cancellation, the number of Incentive Participants under the Reserved Grant of the 2018 Share Options Incentive Scheme of the Company was adjusted from 167 to 157, while the number of share options under the Reserved Grant was adjusted from 2,524,500 to 2,214,600.

On 10 November 2021, the 25th meeting of the tenth session of the Board of Directors of the Company considered and approved the "Resolution relating to Cancellation of Certain Share Options under the 2018 Share Option Incentive Plan", 31,150 share options under the first exercise period held but not yet exercised by 7 Incentive Participants and 129,400 share options granted and no longer meeting the exercising conditions to 18 incentive participants who were no longer qualified for the incentive are cancelled. After the completion of the cancellation, the number of Incentive Participants under the Reserved Grant of the 2018 Share Options Incentive Scheme of the Company was adjusted from 157 to 139, while the number of share options under the Reserved Grant was adjusted from 2,214,600 to 2,054,050.

As at 31 December 2021, the number of share options exercised was 1,226,494 and the number of outstanding share options was 827,556.

XI. SHARE-BASED PAYMENT *(continued)***1. General information about share-based payment** *(continued)*

Note 2: Other equity incentives

On 8 November 2019, the resolution on the Disposal of Certain Equity of a Holding Subsidiary and Connected Transaction was considered and approved at the 34th meeting of the ninth session of the Board, pursuant to which it was agreed that 9.5% equity interests (totally 8,382,100 shares) in Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) held by the Company shall be transferred to Zhuhai Liying Investment Management Partnership (Limited Partnership) (珠海麗英投資管理合夥企業(有限合夥)) at the consideration of RMB21,122,892. According to the Assets Appraisal Report on the valuation of the shareholders' equity as a whole of Zhuhai Livzon Diagnostics Inc. in relation to the Proposed Equity Transfer by Livzon Pharmaceutical Group Inc. (Huaya Zhengxin Appraisal Report [2019] No, A02 – 0011), the valuation of the shareholders' equity as a whole of Zhuhai Livzon Diagnostics Inc. as at 30 June 2019 was RMB647.3075 million, and above equity transfer price was lower than its fair value, therefore it constitutes a share-based payment. The total share-based payment of the transaction is RMB40.4017 million, which should be amortized within 5 years according to the partnership agreement, and share incentive expenses were recognised due to the share-based payment as a result of the change in the shareholding of the shareholders of Zhuhai Liying Investment Management Partnership (Limited Partnership).

On 8 November 2019, the resolution on the Implementation of Employee Equity Incentive Scheme by a Holding Subsidiary was considered and approved at the 34th meeting of the ninth session of the Board, pursuant to which, the total number of shares of new issuance by Zhuhai Livzon Diagnostics Inc. for implementation of employee equity incentive scheme shall not be more than 4,643,839 shares, and the scheme participants shall contribute a total of RMB11,702,474.28 to directly subscribe for the above shares or indirectly subscribe for the such shares through the holding of the limited partnership shares of the employee shareholding platform. In December 2019, pursuant to the Capital Increase Agreement of Zhuhai Livzon Diagnostics Inc., the total shares of Zhuhai Livzon Diagnostics Inc. increased from 88,232,932 shares to 92,876,771 shares with par value of RMB1 per share. The increased number of shares were subscribed by Zhuhai Haoxun Enterprise Management Consulting Partnership (Limited Partnership) (珠海豪訊企業管理諮詢合夥企業(有限合夥)), Zhuhai Yichen Enterprise Management Consulting Partnership (Limited Partnership) (珠海熠臣企業管理諮詢合夥企業(有限合夥)) and Zhuhai Qijing Enterprise Management Consulting Partnership (Limited Partnership) (珠海啟靖企業管理諮詢合夥企業(有限合夥)) at the consideration of RMB11,702,474. The subscription price is lower than the fair value, therefore it constitutes a share-based payment. The total share-based payment of the transaction is RMB20.7090 million, which should be amortized within 5 years according to the Partnership Agreement, and share incentive expenses were recognised due to the share-based payment as a result of the change in the shareholding of the shareholders of Zhuhai Livzon Diagnostics Inc./the employee shareholding platform.

On 31 August 2021, the general meeting of LivzonBio considered and approved the Equity Incentive Scheme of Livzon Bio, Inc. (珠海市麗珠生物醫藥科技有限公司), granting 66,666,667 restricted shares of Livzon Biologics to incentive participants, among which 42 million shares were granted in the first batch and 24,666,667 shares were reserved. Incentive participants indirectly subscribed for the above shares through the holding of the limited partnership shares of the employee shareholding platform. The subscription price is lower than the fair value, therefore it constitutes a share-based payment. The total share-based payment of the transaction is RMB33.6 million, which should be amortized during the lock-up period according to the Equity Incentive Scheme of LivzonBio and the Grant Agreement and RMB6,533,300 was amortized in 2021.

XI. SHARE-BASED PAYMENT *(continued)*

2. Equity settled share-based payments

Determination on fair value of equity instruments as the date of grant	Black-Scholes Model, market price	
Basis for determining quantity of exercisable equity instruments		–
Reasons for significant discrepancies between estimate for the Year and Previous Year		Nil
Accumulated amount of equity settled share-based payments included in capital reserve		144,295,750.83
Total expense recognised for equity settled share-based payments for the Year		32,733,603.59

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	569,039,017.10	621,715,798.13
Commitments in relation to external investment	8,000,000.00	0.00
Commitments in relation to research and development expenditures	309,313,880.64	0.00

(2) Operating lease commitments

As at 31 December 2021, the Company 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	9,284,335.86
In the second year from the balance sheet date	3,805,277.68
In the third year from the balance sheet date	1,866,109.16
Subsequent years	413,984.10
Total	15,369,706.80

(3) Other commitments

Nil.

(4) Performance of previous commitments

The Company has duly performed the capital expenditure commitments and the operating lease commitments as at 31 December 2020 and the other commitments.

XII. COMMITMENTS AND CONTINGENCIES *(continued)***2. Contingencies**

As at 31 December 2021, there were no significant contingencies required to be disclosed by the Company.

XIII. POST BALANCE SHEET DATE EVENTS**1. Profit distribution**

On 28 March 2022, the Company held the 28th meeting of the tenth session of the Board of the Company and passed the resolution of 2021 annual profit distribution plan. It is expected to distribute cash dividend of RMB13.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2021 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized.

The above mentioned profit distribution plan shall be submitted to the annual general meeting of 2021 of the Company for consideration and approval.

2. Exercise of share options

As at 28 March 2022, shares option involving 382,701 shares were exercised by the incentive participants and the share capital of the Company was changed to 938,247,822 shares.

As at 28 March 2022, the Company 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 in Investment Projects**

On 22 March 2021, the Board of the Company considered and approved the Resolution on Adjustment to Certain Projects Invested with Proceeds (《關於調整部分募集資金投資項目投資計劃的議案》) to adjust 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)", after which the remaining proceeds to be invested in the project is RMB203,996,700 and the project is expected to be ready for its intended use by 31 December 2024. The expected annual investment amount will be RMB119,924,000, RMB54,676,000, RMB16,000,000 and RMB13,396,700 in the next four years.

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	Amount for the Year
Short-term leases	6,586,434.06
Leases of low value assets	0.00
Total	6,586,434.06

XIV. OTHER SIGNIFICANT MATTERS *(continued)*

3. Medium to Long-term Business Partner Share Ownership Scheme

On 6 May 2021, the 2021 second extraordinary general meeting of the Company reviewed and approved relevant resolutions including the Resolution on the First Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of the Company (Draft) and its Summary. On 26 May 2021, the First Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of the Company purchased a total of 2,348,960 shares of the Company through the "CITIC Securities – the First Phase Business Partner Share Ownership Scheme of Livzon Group – Medium and Long-term Business Partner Employee Ownership Scheme No. 1 Single Asset Management Plan of CITIC Securities and Livzon Group (中信證券－麗珠集團事業合夥人持股計劃第一期－中信證券麗珠集團中長期事業合夥人員工持股計劃 1 號單一資產管理計劃)" by way of centralized price bidding, representing 0.25% of total share capital of the Company, with an average transaction price of RMB49.92 per share and a transaction amount of RMB117,268,338.21. The purchase of shares under the First Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of the Company has been completed, and these shares will be locked up for 36 months (from 27 May 2021 to 26 May 2024) as required.

As at 31 December 2021, other than the matters mentioned above, the Company has no other significant events that need to be disclosed.

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	14,673,096,594.67	14,627,356,983.21
Less: Current liabilities	6,925,068,067.24	6,082,888,945.39
Net current assets	7,748,028,527.43	8,544,468,037.82

2. Total assets less current liabilities

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Total assets	22,371,915,590.82	20,590,815,791.72
Less: Current liabilities	6,925,068,067.24	6,082,888,945.39
Total assets less current liabilities	15,446,847,523.58	14,507,926,846.33

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

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Bills receivables

Type of bill	Balance at the End of the Year			Balance at the Beginning of the Year		
	Book balance	Provision for bad debts	Carrying value	Book balance	Provision for bad debts	Carrying value
Bank acceptance bills	893,196,893.48	481,000.00	892,715,893.48	688,865,493.33	481,000.00	688,384,493.33

(1) Bills receivables that were pledged at the End of the Year

Item	Pledged amount at the End of the Year
Bank acceptance bills	226,523,191.72

As at 31 December 2021, bills with carrying amount of RMB226,523,191.72 (31 December 2020: RMB182,405,851.25) were pledged for bank acceptance bills.

(2) Bills receivables 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	2,833,793.08	0.00
Bank acceptance bills discounted but not yet mature	0.00	0.00
Total	2,833,793.08	0.00

For the Year, the bank acceptance bills issued by the Company to banks amounted to RMB0.00 (the last year: RMB100,000.00). As the main risks such as interest risks and returns related to these bank acceptance bills were transferred to the bank, the Company derecognised the undue bank acceptance bills that had been discounted. The discounted fee amounted to RMB0.00 (the last year: RMB1,235.00).

(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	0.05	481,000.00	100.00	0.00	481,000.00	0.07	481,000.00	100.00	0.00
In which:										
Bank acceptance bills	481,000.00	0.05	481,000.00	100.00	0.00	481,000.00	0.07	481,000.00	100.00	0.00
Provision for bad debt on collective basis	892,715,893.48	99.95	0.00	0.00	892,715,893.48	688,384,493.33	99.93	0.00	0.00	688,384,493.33
In which:										
Bank acceptance bills	892,715,893.48	99.95	0.00	0.00	892,715,893.48	688,384,493.33	99.93	0.00	0.00	688,384,493.33
Total	893,196,893.48	100.00	481,000.00	0.05	892,715,893.48	688,865,493.33	100.00	481,000.00	0.07	688,384,493.33

Provision for bad debt on individual basis:

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

(5) Provisions for bad debts made, recovered and reversed during the Year

	Amount of provision for bad debts
Balance at the Beginning of the Year	481,000.00
Provisions made for the Year	0.00
Recoveries or reversals during the Year	0.00
Write-off for the Year	0.00
Balance at the End of the Year	481,000.00

(6) There are no bills receivables actually written-off for the Year.

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

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)**2. Accounts receivables****(1) Disclosure using the aging analysis method**

Aging	Balance at the End of the Year	Balance at the Beginning of the Year
Within 1 year		
In which: Within 3 months (including 3 months)	865,984,993.94	821,509,376.18
4-6 months (including 6 months)	43,538,485.89	40,946,588.98
7-12 months (including 12 months)	6,614,781.63	3,451,146.54
Subtotal within 1 year:	916,138,261.46	865,907,111.70
1-2 years (including 2 years)	1,217,155.93	1,185,606.19
2-3 years (including 3 years)	52,428.10	1,949,625.00
Over 3 years	2,638,541.84	5,254,072.90
Subtotal	920,046,387.33	874,296,415.79
Less: Provisions for bad debts	14,363,903.92	17,271,606.54
Total	905,682,483.41	857,024,809.25

(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				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value
Provision for bad debt on individual basis	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Provision for bad debt on collective basis	920,046,387.33	100.00	14,363,903.92	1.56	905,682,483.41	874,296,415.79	100.00	17,271,606.54	1.98	857,024,809.25
Of which:										
Due from domestic customers	920,046,387.33	100.00	14,363,903.92	1.56	905,682,483.41	874,296,415.79	100.00	17,271,606.54	1.98	857,024,809.25
Total	920,046,387.33	100.00	14,363,903.92	1.56	905,682,483.41	874,296,415.79	100.00	17,271,606.54	1.98	857,024,809.25

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

2. Accounts receivables (continued)

(2) Disclosure according to the method of provisions for bad debts (continued)

Provision for bad debt on collective basis:

Item on collective basis: Due from domestic customers

	Balance at the End of the Year			Balance at the Beginning of the Year		
	Account receivables	Provision for bad debts	Expected credit loss rate (%)	Account receivables	Provision for bad debts	Expected credit loss rate (%)
Within 3 months (including 3 months)	865,984,993.94	8,400,054.44	0.97	821,509,376.18	7,968,640.96	0.97
4-6 months (including 6 months)	43,538,485.89	2,150,801.20	4.94	40,946,588.98	2,026,856.15	4.95
7-12 months (including 12 months)	6,614,781.63	859,260.13	12.99	3,451,146.54	482,470.29	13.98
1-2 years	1,217,155.93	277,754.98	22.82	1,185,606.19	270,555.33	22.82
2-3 years	52,428.10	37,491.33	71.51	1,949,625.00	1,269,010.91	65.09
Over 3 years	2,638,541.84	2,638,541.84	100.00	5,254,072.90	5,254,072.90	100.00
Total	920,046,387.33	14,363,903.92	1.56	874,296,415.79	17,271,606.54	1.98

(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	17,271,606.54
Provisions made for the Year	1,387,161.98
Recoveries or reversals during the Year	0.00
Write-off for the Year	4,294,864.60
Balance at the End of the Year	14,363,903.92

As at 31 December 2021 and 31 December 2020, the Company had no accounts receivables that are past due but not impaired.

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

Item	Amount written off
Total (domestic customers)	4,294,864.60

There are no significant accounts receivables written off.

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

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

2. Accounts receivables *(continued)*

(5) The top five balances of accounts receivable by debtors as at the End of the Year

The total of the top five balances of accounts receivable by debtors as at the End of the Year was RMB157,437,169.49 for the Year, representing 17.11% of the total balance of account receivables for the End of the Year, the aggregate balance of corresponding provisions for bad debts as at the End of the Year was RMB1,535,765.52.

(6) There are no derecognised accounts receivables in the Company due to the transfer of financial assets.

(7) The Company has no assets or liabilities formed by its continuous involvement of transferring accounts receivables.

3. Other receivables

Item	Balance at the End of the Year	Balance at the Beginning of the Year
Dividend receivables	340,100,088.07	434,213,482.03
Other receivables	858,083,076.53	936,104,058.53
Total	1,198,183,164.60	1,370,317,540.56

(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	340,100,088.07
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	0.00	94,113,393.96
Subtotal:	340,100,088.07	434,213,482.03
Less: Provision for bad debts	0.00	0.00
Total	340,100,088.07	434,213,482.03

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Other receivables (continued)

(2) Other receivables

① Disclosure by nature of the amount

Item	Balance at the End of the Year			Balance at the Beginning of the Year		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Deposits under guarantee, deposits and lease expenses	500,000.00	8,350.00	491,650.00	0.00	0.00	0.00
Reserve fund and advances	8,519,380.87	1,149,782.62	7,369,598.25	8,998,768.38	1,219,384.35	7,779,384.03
Other receivables of each company within the scope of combination	841,753,410.23	0.00	841,753,410.23	904,560,541.71	0.00	904,560,541.71
Balance with associates	5,265.00	87.93	5,177.07	15,010,530.00	415,753.61	14,594,776.39
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	8,463,240.98	0.00	8,463,240.98	9,169,356.40	0.00	9,169,356.40
Total	864,241,297.08	6,158,220.55	858,083,076.53	942,739,196.49	6,635,137.96	936,104,058.53

② Provision made for bad debts

As at the End of the Year, provision for bad debts at step 1:

Type	Book balance	Expected credit losses rate over the next 12 months (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on individual basis	348,563,329.05	0.00	0.00	348,563,329.05	
Dividend receivables	340,100,088.07	0.00	0.00	340,100,088.07	Expected to be recoverable
Amounts of exercised options	8,463,240.98	0.00	0.00	8,463,240.98	Expected to be recoverable
Provision for bad debt on collective basis	841,753,410.23	0.00	0.00	841,753,410.23	
Other receivables of each company within the scope of combination	841,753,410.23	0.00	0.00	841,753,410.23	Expected to be recoverable
Total	1,190,316,739.28	0.00	0.00	1,190,316,739.28	

As at the End of the Year, provision for bad debts at step 2:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on individual basis	0.00	0.00	0.00	0.00	—
Provision for bad debt on collective basis	8,787,186.43	10.48	920,761.11	7,866,425.32	
Receivables of deposits under guarantee and security deposits and lease expenses	500,000.00	1.67	8,350.00	491,650.00	—
Other receivables	8,287,186.43	11.01	912,411.11	7,374,775.32	—
Total	8,787,186.43	10.48	920,761.11	7,866,425.32	

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

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Other receivables (continued)

(2) Other receivables (continued)

② Provision made for bad debts (continued)

As at the End of the Year, provision for bad debts at step 3:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on individual basis	5,237,459.44	100.00	5,237,459.44	0.00	
Other receivables	5,237,459.44	100.00	5,237,459.44	0.00	Not expected to be recoverable
Provision for bad debt on collective basis	0.00	0.00	0.00	0.00	—
Total	5,237,459.44	100.00	5,237,459.44	0.00	

As at 31 December 2020, provision made for bad debts:

As at 31 December 2020, provision for bad debts at step 1:

Type	Book balance	Expected credit losses rate over the next 12 months (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on individual basis	443,382,838.43	0.00	0.00	443,382,838.43	
Dividend receivables	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 company within the scope of combination	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 31 December 2020, provision for bad debts at step 2:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on individual basis	0.00	0.00	0.00	0.00	—
Provision for bad debt on collective basis	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	

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Other receivables (continued)

(2) Other receivables (continued)

② Provision made for bad debts (continued)

As at 31 December 2020, provision for bad debts at step 3:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on individual basis	5,237,459.44	100.00	5,237,459.44	0.00	
Other receivables	5,237,459.44	100.00	5,237,459.44	0.00	Not expected to be recoverable
Provision for bad debt on collective basis	0.00	0.00	0.00	0.00	—
Total	5,237,459.44	100.00	5,237,459.44	0.00	

③ Provision for bad debts made, recovered or reversed during the Year

Provision for bad debts	Step 1	Step 2	Step 3	Total
	Expected credit losses over the next 12 months	Expected credit losses over the lifetime (without impairment of credit)	Expected credit losses over the lifetime (with impairment of credit)	
Balance at the Beginning of the Year	0.00	1,397,678.52	5,237,459.44	6,635,137.96
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	0.00	0.00	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	-476,917.41	0.00	-476,917.41
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	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Balance at the End of the Year	0.00	920,761.11	5,237,459.44	6,158,220.55

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

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Other receivables (continued)

(2) Other receivables (continued)

- ④ Other receivables actually written off during the Year
Nil.
- 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	688,114,919.70	Within 1 year	79.62	0.00
Ando Development Limited (安滔發展有限公司)	Current account	122,326,837.94	Within 1 year RMB1,003,300.00, 2-3 years RMB121,323,537.94	14.16	0.00
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	Current account	21,031,172.39	Within 1 year RMB5,880.00, 1-2 year RMB13,495.00, 2-3 year RMB21,011,797.39	2.43	0.00
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Current account	8,924,083.00	Within 1 year	1.03	0.00
China Securities Depository and Clearing Corporation Limited (Shenzhen Branch) (中國證券登記結算深圳分公司)	Amount of exercised options	8,463,240.98	Within 1 year	0.98	0.00
Total	—	848,860,254.01	—	98.22	0.00

- ⑥ The Company has not derecognised other receivables due to the transfer of financial assets.
- ⑦ The Company has no assets or liabilities formed by its continuous involvement of transferring other receivables.

4. Long-term equity investments

Item	Balance at the End of the Year			Balance at the Beginning of the Year		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in subsidiaries	2,949,467,145.20	17,287,569.18	2,932,179,576.02	2,107,207,001.59	17,287,569.18	2,089,919,432.41
Investments in associates	854,467,629.32	1,200,000.00	853,267,629.32	50,214,686.96	1,200,000.00	49,014,686.96
Total	3,803,934,774.52	18,487,569.18	3,785,447,205.34	2,157,421,688.55	18,487,569.18	2,138,934,119.37

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 Baiheng Biological Materials Co., Ltd. (珠海麗珠-拜阿蒙生物材料有限公司)	3,934,721.95	0.00	0.00	3,934,721.95	0.00	0.00
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	361,060,443.85	0.00	0.00	361,060,443.85	0.00	0.00
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	170,872,457.35	0.00	0.00	170,872,457.35	0.00	0.00
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	31,438,404.00	0.00	0.00	31,438,404.00	0.00	0.00
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	143,460,649.54	265,149,450.47	0.00	0.00
Lian Hong Kong Limited (麗安香港有限公司)	140,000,000.00	0.00	0.00	140,000,000.00	0.00	0.00
Ando Development Limited (安滔發展有限公司)	534,050.00	0.00	0.00	534,050.00	0.00	0.00
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	378,259,319.91	0.00	0.00	378,259,319.91	0.00	17,287,569.18
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	2,357,200.00	0.00	0.00	2,357,200.00	0.00	0.00
Livzon Group Livzon Pharmaceutical Marketing 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
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)	90,000,000.00	45,000,000.00	0.00	135,000,000.00	0.00	0.00
Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	212,092,110.00	0.00	0.00	212,092,110.00	0.00	0.00
Livzon Bio, Inc. (珠海市麗珠生物醫藥科技有限公司)	0.00	932,230,793.15	0.00	932,230,793.15	0.00	0.00

(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** (continued)

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
Shanghai Liyu Biopharmaceutical Technology Co., Ltd. (上海麗予生物醫藥技術有限責任公司)	0.00	990,000.00	0.00	990,000.00	0.00	0.00
Zhuhai Livzon Pharmaceuticals Import and Export Trading Co., Ltd. (珠海市麗珠醫藥進出口貿易有限公司)	0.00	7,500,000.00	0.00	7,500,000.00	0.00	0.00
Total	2,107,207,001.59	985,720,793.15	143,460,649.54	2,949,467,145.20	0.00	17,287,569.18

(2) Investments in associates

Investee	Balance at the Beginning of the Year	Acquired/new investment	Disposed investment	Change during the Year						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	Cash dividend or profit distribution declared	Provision for impairment	Others			
Associates												
Livzon Medical Electronic Equipment (Plant) Co., Ltd. (麗珠醫用電子設備(廠)有限公司)	1,200,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,200,000.00	1,200,000.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	16,284,359.20	0.00	0.00	3,605,550.15	0.00	0.00	2,550,000.00	0.00	0.00	0.00	17,339,909.35	0.00
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	1,080,543.04	0.00	0.00	141,855.85	0.00	0.00	0.00	0.00	0.00	0.00	1,222,398.89	0.00
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	31,649,784.72	0.00	0.00	-18,179,141.47	-30,268.27	69,715,182.18	0.00	0.00	0.00	0.00	83,155,557.16	0.00
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	0.00	724,000,000.00	0.00	52,620,894.45	14,820,196.44	148,673.03	40,040,000.00	0.00	0.00	0.00	751,549,763.92	0.00
Total	50,214,686.96	724,000,000.00	0.00	38,189,158.98	14,789,928.17	69,863,855.21	42,590,000.00	0.00	0.00	0.00	854,467,629.32	1,200,000.00

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

5. Operating income and operating cost

(1) Operating income and operating cost

Item	For the Year		For the Last Year	
	Income	Cost	Income	Cost
Principal activities	6,249,966,198.10	4,239,945,471.76	4,818,121,870.93	3,241,827,524.35
Other activities	28,342,679.85	22,921,607.77	18,280,317.35	10,949,985.22
Total	6,278,308,877.95	4,262,867,079.53	4,836,402,188.28	3,252,777,509.57

The Company operates in a single operating segment in the PRC, i.e. the manufacture of pharmaceuticals. Accordingly, no operating segment of the Company is presented.

(2) Operating income, operating cost presented by product types

Item	For the Year		For the Last Year	
	Income	Cost	Income	Cost
Principal activities:				
Chemical drug preparation products	5,558,494,007.44	3,838,684,551.42	4,124,288,497.24	2,832,822,781.32
Traditional Chinese drug preparation products	691,472,190.66	401,260,920.34	673,728,775.89	388,900,145.23
Others	0.00	0.00	20,104,597.80	20,104,597.80
Subtotal	6,249,966,198.10	4,239,945,471.76	4,818,121,870.93	3,241,827,524.35
Other activities:				
Lease income	5,421,072.08	0.00	539,517.62	0.00
Others	22,921,607.77	22,921,607.77	17,740,799.73	10,949,985.22
Subtotal	28,342,679.85	22,921,607.77	18,280,317.35	10,949,985.22
Total	6,278,308,877.95	4,262,867,079.53	4,836,402,188.28	3,252,777,509.57

(3) Major business income and cost presented by regions of operations

Item	For the Year		For the Last Year	
	Income	Cost	Income	Cost
Domestic	6,249,966,198.10	4,239,945,471.76	4,818,121,870.93	3,241,827,524.35

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

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

5. Operating income and operating cost *(continued)*

(4) Major business income and cost presented by recognition time of income

Item	For the Year		For the Last Year	
	Income	Cost	Income	Cost
Commodities (recognized at a point in time)	6,249,966,198.10	4,239,945,471.76	4,818,121,870.93	3,241,827,524.35

6. Investment Income

Item	For the Year	For the Last Year
Long-term equity investments income under cost method	974,270,856.43	1,199,756,062.56
Long-term equity investments income under equity method	38,189,158.98	-13,896,696.16
Investment income from disposal of long-term equity investments	0.00	99,005,130.93
Investment income from financial assets held for trading during its holding period	75,810.76	92,291.36
Dividend income from other equity instrument investments	0.00	4,399.77
Investment income from disposal of financial assets held for trading	-1,163,800.00	0.00
Total	1,011,372,026.17	1,284,961,188.46

XVII. SUPPORTING INFORMATION

1. Statement of non-recurring profit or loss

Item	For the Year	For the Last Year
Profit or loss from disposal of non-current assets	9,457,741.32	102,626,734.17
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	206,479,154.93	215,501,383.39
Funds occupation fees charged from non-financial enterprises	0.00	0.00
Gains resulting from the investment cost of the enterprise for the purpose of acquisition of the subsidiaries, joint operation and joint ventures is lower than the fair value of net identifiable assets of the investee as entitled at the time of receipt of the investment	0.00	0.00
Profit or loss from exchange of non-monetary assets	0.00	0.00
Profit or loss from investment or management of assets by the others	0.00	0.00
Provision for impairment of assets accrued due to force majeure factors, such as natural disasters	0.00	0.00
Profit or loss from debts restructuring	0.00	-298,617.11
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	1,975,577.48	40,989,100.48
Reversals of provision for impairment of accounts receivable with individual impairment test	0.00	0.00
Profit or loss from entrusted loans	0.00	0.00
Profit or loss from fair value change of the investment properties that are subsequently measured under the fair value model	0.00	0.00
Effect on current profit or loss as a result of the onetime adjustments to current profit or loss under the tax, accounting and other laws and regulations	0.00	0.00
Custody fees income from entrusted operation	0.00	0.00
Other non-operating income and expenses other than the abovementioned items	-21,301,165.09	-11,013,482.07

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

XVII. SUPPORTING INFORMATION *(continued)*

1. Statement of non-recurring profit or loss *(continued)*

Item	For the Year	For the Last Year
Other profit or loss items as defined by the non-recurring profit or loss on-recurring profit or loss	0.00	0.00
Total non-recurring profit or loss	196,611,308.64	347,805,118.86
Less: Effect on income tax of non-recurring profit or loss	30,284,932.60	48,109,083.87
Less: Net effect of non-recurring profit or loss attributable to the Company's minority shareholders (after tax)	17,690,611.93	16,335,046.31
Non-recurring profit or loss attributable to the Company's ordinary shareholders	148,635,764.11	283,360,988.68

Note: As for the figures in the non-recurring profit or loss column, "+" represents the gains and income, "-" represents the loss or expense.

The Company recognizes non-recurring profit or loss items according to the Explanatory Announcement No.1 on Corporate Information Disclosure for the Public Offering of Securities-Non-recurring Profit or Loss (ZJHGG [2008] No. 43).

2. Rate of return on net assets and earnings per share

2021

Profit during the reporting period	Rate of return on weighted average net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary shareholders	14.32	1.90	1.90
Net profit attributable to the Company's ordinary shareholders after a deduction of non-recurring profit or loss	13.12	1.74	1.74

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

Livzon Pharmaceutical Group Inc.
Chairman: Zhu Baoguo

28 March 2022