



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



2021 Interim Report

* For identification purpose only

CONTENTS

Financial Highlights	3	Section VI	104
Section I		Environmental and Social Responsibility	
Important Notice and Definitions	5	Section VII	123
Section II		Changes in Equity and Shareholders	
Company Profile and Major Financial Indicators	10	Section VIII	134
Section III		Information on Preferred Shares	
Management Discussion and Analysis	14	Section IX	135
Section IV		Information on Bonds	
Corporate Governance	72	Section X	136
Section V		Financial Report	
Major Events	77		

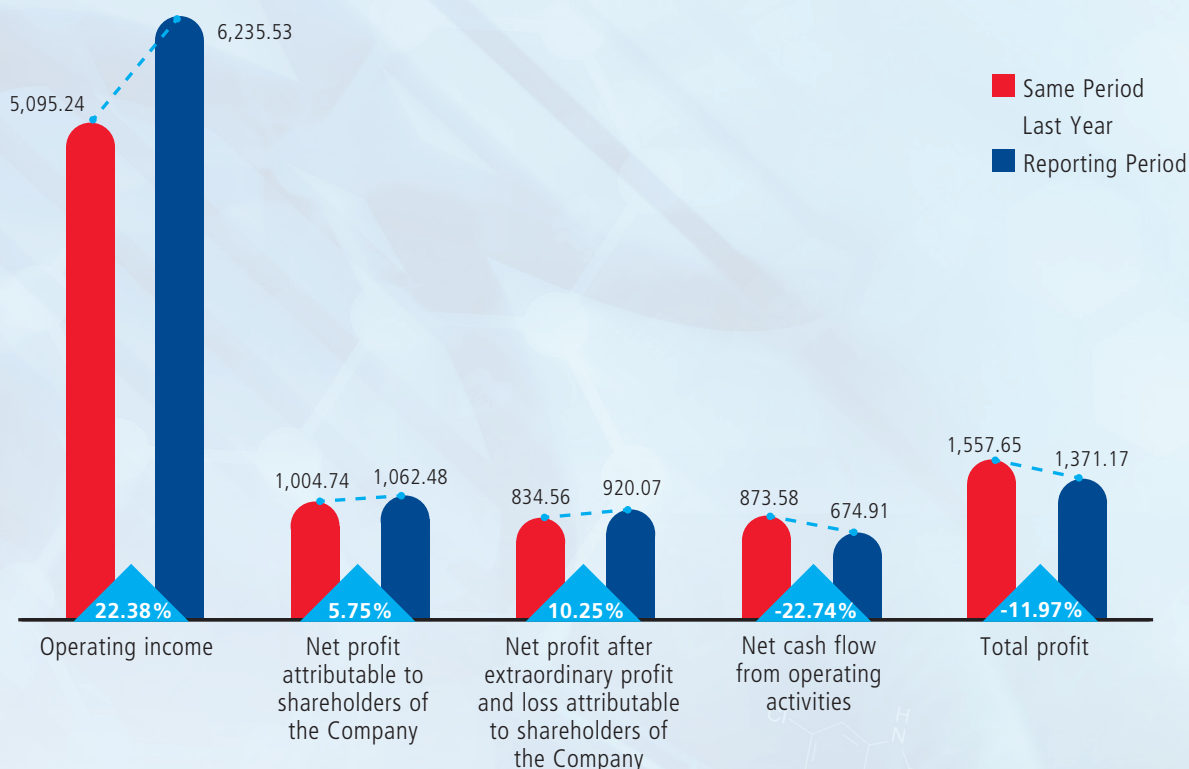


LIST OF DOCUMENTS AVAILABLE FOR INSPECTION

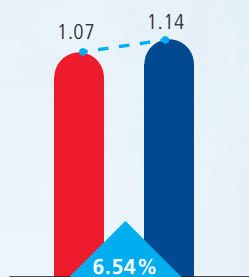
- (I) Full text of the 2021 Interim Report of the Company signed by the legal representative.
- (II) The unaudited financial report for the six months ended 30 June 2021 of the Company prepared in accordance with the China Accounting Standards for Business Enterprises, which has been signed and sealed by the person-in-charge of the Company, the person-in-charge of the Company's accounting work and the person-in-charge of the accounting department (the head of the accounting department).
- (III) The original copies of all documents and announcements of the Company which have been disclosed to the public on the website designated by CSRC during the Reporting Period.
- (IV) The English and Chinese versions of the 2021 Interim Report of the Company published on the website of the Hong Kong Exchanges and Clearing Limited.

FINANCIAL HIGHLIGHTS

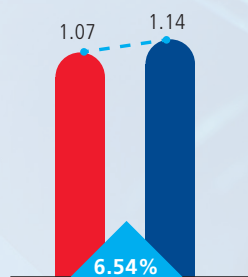
Major Financial Indicators (RMB in million)



Basic earnings per share (RMB/Share)

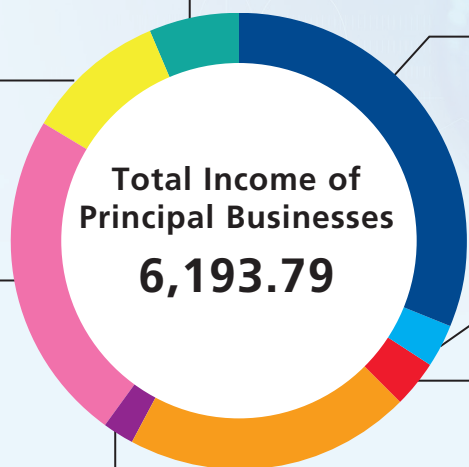


Diluted earnings per share (RMB/Share)



Composition of Principal Businesses (RMB in million)

6.31%
390.68
9.85%
610.26
23.61%
1,462.31
2.34%
144.76



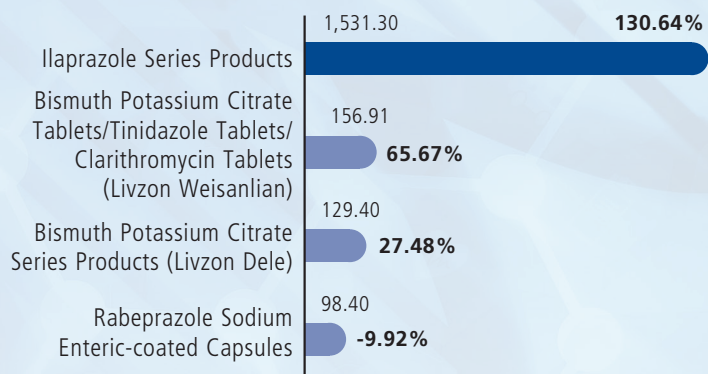
By sector

Chemical drug preparation products
Gastroenterology
Psychiatry
Anti-infection
Gonadotropic hormones
Others
APIs and Intermediates
Traditional Chinese drug preparation products
Diagnostic reagents and equipment

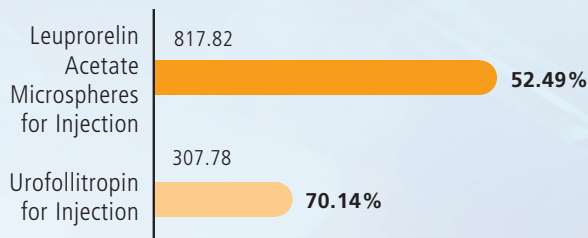
FINANCIAL HIGHLIGHTS

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

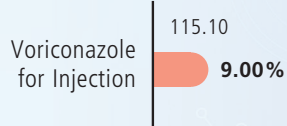
Drug preparation products: Gastroenterology



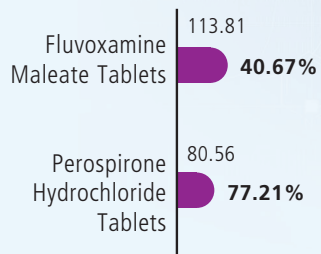
Drug preparation products: gonadotropic hormones



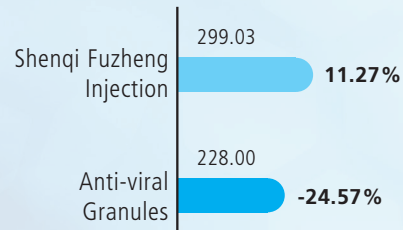
Drug preparation products: anti-infection



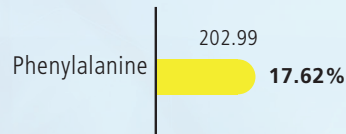
Drug preparation products: psychiatry



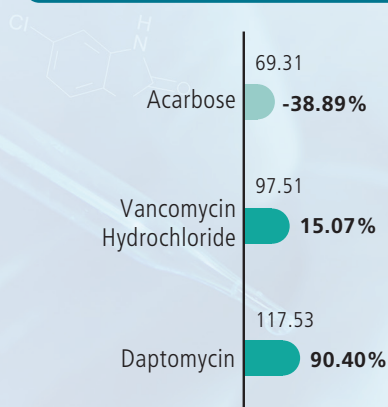
Drug preparation products: traditional Chinese drug preparation



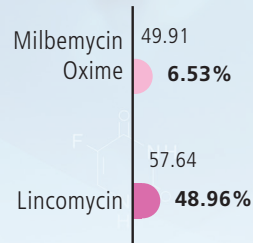
APIs: food additives – human use



APIs: fermentation drugs – human use



APIs: veterinary drugs



Intermediates – human use



SECTION I IMPORTANT NOTICE AND DEFINITIONS

IMPORTANT NOTICE

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

The Report has been considered and approved at the 23rd meeting of the 10th session of the Board of the Company. All the Directors attended the 23rd meeting of the 10th session of the Board.

The 2021 interim financial statements and notes thereof (collectively the "Financial Report") prepared by the Group according to China Accounting Standards for Business Enterprises have not been audited. The Report has been reviewed by the audit committee of the Company.

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

Mr. Zhu Baoguo (朱保國), the person-in-charge of the Company, Ms. Si Yanxia (司燕霞), the person-in-charge of the Company's accounting work, and Ms. Zhuang Jianying (莊健瑩), the person-in-charge of the accounting department (the head of the accounting department), declare that they hereby warrant the truthfulness, accuracy and completeness of the financial statements contained in the Report.

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

The Report contains forward-looking statements which involve subjective assumptions and judgments of future policies and economic conditions, yet do not constitute substantive undertakings of the Company to investors. These statements are subject to risks, uncertainties and assumptions. The actual outcomes may be substantially different from these statements. Investors should exercise caution that inappropriate reliance on and usage of such information may lead to investment risks.

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

SECTION I IMPORTANT NOTICE AND DEFINITIONS

DEFINITIONS

In this Report, unless the context otherwise requires, the following expressions shall have the following meanings:

"Company"	Livzon Pharmaceutical Group Inc.* (麗珠醫藥集團股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability, whose H Shares and A Shares are listed on the main board of the Hong Kong Stock Exchange and the main board of the Shenzhen Stock Exchange respectively
"Group"	the Company and its subsidiaries
"Board"	the board of directors of the Company
"Director(s)"	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
"Reporting Period" or "Period"	the six months ended from 1 January to 30 June 2021
"Same Period Last Year" or "Previous Period"	the six months ended from 1 January to 30 June 2020
"End of the Previous Year"	31 December 2020
"Beginning of the Reporting Period", "Beginning of the Period" or "Beginning of the Year"	1 January 2021
"End of the Reporting Period" or "End of the Period"	30 June 2021

SECTION I IMPORTANT NOTICE AND DEFINITIONS

DEFINITIONS *(Continued)*

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

SECTION I IMPORTANT NOTICE AND DEFINITIONS

DEFINITIONS *(Continued)*

"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)
"Sanmed Biotech"	Zhuhai Sanmed Biotech Inc.* (珠海聖美生物診斷技術有限公司)
"Livzon Biologics", "Livzon Cayman"	Livzon Biologics Limited
"Livzon International"	Livzon International Limited

SECTION I IMPORTANT NOTICE AND DEFINITIONS

DEFINITIONS *(Continued)*

"Joincare BVI"	Joincare Pharmaceutical Group Industry Co., Ltd
"Livzon HK"	Livzon Biologics Hong Kong Limited* (麗珠生物科技香港有限公司)
"LivzonBio"	Zhuhai Livzon Biotechnology Co., Ltd.* (珠海市麗珠生物醫藥科技有限公司)
"PRC" or "China"	the People's Republic of China
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"HK\$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"MOP"	Macau Patacas, the lawful currency of Macau
"US\$" or "USD"	US dollars, the lawful currency of the United States
"Japanese Yen"	Japanese Yen, the lawful currency of Japan
"Euro"	Euro, the official currency for 19 nations in European Union
"Cninfo"	www.cninfo.com.cn (巨潮資訊網)
"Company's website"	the website of the Company (www.livzon.com.cn)
"HKEXnews"	the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk)
"COVID-19 virus"	a new coronavirus (SARS-CoV-2)
"COVID-19 pandemic", "pandemic"	the outbreak of the disease caused by a new coronavirus called SARS-CoV-2
"COVID-19 vaccines"	vaccines for the new coronavirus (SARS-CoV-2)
"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

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SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

I. COMPANY INFORMATION

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

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

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

* For identification purpose only

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

II. CONTACT PERSONS AND CONTACT DETAILS

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

III. OTHER INFORMATION

1. Contact details of the Company

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

☐ Applicable ☒ Not applicable

There was no change in the registered address, office address and postal code, company website and email address of the Company during the Reporting Period. Please refer to the 2020 Annual Report for details.

2. Information disclosure and places for inspection

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

☐ Applicable ☒ Not applicable

There was no change in the names of designated newspapers for information disclosure by the Company, no change in the website designated by CSRC for publication of interim report and no change in the place for inspection of interim report of the Company during the Reporting Period. Please refer to the 2020 Annual Report for details.

3. Other relevant information

Whether other relevant information changed during the Reporting Period

☒ Applicable ☐ Not applicable

On 15 June 2021, the Company received a letter from Minsheng Securities Co., Ltd. ("Minsheng Securities"), the sponsor of the Company's non-public issuance of shares, concerning changing the continuous supervision and guidance sponsor representative. Mr. Xu Weili, the former sponsor representative delegated by Minshen Securities, ceased to serve as such sponsor representative due to job changes. To guarantee the continuous supervision and guidance, Minsheng Securities appointed Mr. Chen Yu to succeed Mr. Xu Weili. After the replacement, Mr. Yu Chunyu and Mr. Chen Yu are the continuous supervision and guidance sponsor representatives under the Company's non-public issuance of shares.

Save as disclosed above, there was no change in other relevant information of the Company during the Reporting Period. Please refer to the 2020 Annual Report for details.

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

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

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

☐ Yes ☒ No

Unit: RMB

Items	Period	Previous Period	Year-on-Year Change
Operating income	6,235,531,036.28	5,095,238,317.69	22.38%
Net profit attributable to Shareholders of the Company	1,062,475,917.41	1,004,743,610.08	5.75%
Net profit attributable to the Shareholders of the Company after deducting the extraordinary gain or loss	920,069,483.32	834,559,221.59	10.25%
Net cash flow from operating activities	674,910,992.08	873,576,936.06	-22.74%
Total profit	1,371,165,998.33	1,557,648,101.96	-11.97%
Basic earnings per share (RMB/share)	1.14	1.07	6.54%
Diluted earnings per share (RMB/share)	1.14	1.07	6.54%
Basic earnings per share after deducting the extraordinary gain or loss (RMB/share)	0.98	0.89	10.11%
Weighted average return on net assets	8.65%	8.74%	Decreased by 0.09 percentage point
Return on equity attributable to Shareholders of the Company	8.85%	9.05%	Decreased by 0.20 percentage point
Ratio of equity attributable to Shareholders of the Company to total assets	56.99%	64.32%	Decreased by 7.33 percentage points

Items	End of the Period	Beginning of the Period	Year-on-Year Change
Total assets	21,058,830,623.07	20,590,815,791.72	2.27%
Total liabilities	7,605,039,824.22	6,950,733,797.24	9.41%
Net assets attributable to the Shareholders of the Company	12,001,203,454.83	12,107,241,900.87	-0.88%
Share capital	935,754,039.00	944,835,396.00	-0.96%
Shareholders' equity per share attributable to the Shareholders of the Company (RMB/share)	12.83	12.81	0.16%

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) 936,205,269

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

Dividends payable to preferred shares —

Interests payable to perpetual bonds —

Fully diluted earnings per share based on the most updated share capital (RMB/share) 1.13

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

VI. ITEMS AND AMOUNTS OF EXTRAORDINARY GAINS AND LOSSES

☒ Applicable ☐ Not applicable

Items	Unit: RMB Amounts
Gains and losses on disposal of non-current assets (including the written-off portion of provisions made for asset impairment)	2,740,150.66
Government grants included in profit and loss for the Period (except for government grants closely associated with corporate businesses, entitled at fixed amount or fixed level according to the national unified standards)	115,163,992.94
Gains and losses on fair value changes derived from holding of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, and investment income generated 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	53,283,291.99
Other non-operating income and expenditure apart from the above items	-927,209.18
Less: income tax effect	19,655,988.01
Effect of minority interests (after tax)	8,197,804.31
Total	142,406,434.09

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

☐ Applicable ☒ Not applicable

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

I. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, there was no material change in the principal businesses of the Group. The Group was primarily engaged in the R&D, production and sale of pharmaceutical products, which covered drug preparation products, active pharmaceutical ingredients ("APIs") and intermediates as well as diagnostic reagents and equipment. Major products include drug preparation products such as Ilaprazole (Ilaprazole Enteric-Coated Tablet and Ilaprazole Sodium for Injection) (壹麗安(艾普拉唑腸溶片及注射用艾普拉唑鈉)), a series of Bismuth Potassium Citrate (麗珠得樂(枸橼酸鉍鉀)) products, Rabeprazole Sodium Enteric-coated Capsules (麗倍樂(雷貝拉唑鈉腸溶膠囊)), Weisanlian (Bismuth Potassium Citrate Tablets/Tinidazole Tablets/Clarithromycin Tablets (維三聯(枸橼酸鉍鉀片/替硝唑片/克拉霉素片)), Leuporelin Acetate Microspheres for Injection (貝依(注射用醋酸亮丙瑞林微球)), Urofollitropin for Injection (麗申寶(注射用尿促卵泡素)), Menotropins for Injection (樂寶得(注射用尿促性素)), Voriconazole for Injection (麗福康(注射用伏立康唑)), Fluvoxamine Maleate Tablets (瑞必樂(馬來酸氟伏沙明片)), Perospirone Hydrochloride Tablets (康爾汀(鹽酸哌羅匹隆片)), Shenqi Fuzheng Injection (參芪扶正注射液), and Anti-viral Granules (抗病毒顆粒); APIs and intermediates such as Mevastatin (美伐他汀), Acarbose (阿卡波糖), Colistin Sulfate (硫酸粘菌素), Phenylalanine (苯丙氨酸), Vancomycin Hydrochloride (鹽酸萬古霉素), Daptomycin (達托霉素), Milbemycin Oxime (米爾貝肟) and Ceftriaxone Sodium (頭孢曲松鈉); and diagnostic reagents such as Diagnostic Kit for IgM/IgG Antibody to Coronavirus (2019-nCoV) (Colloidal Gold) (新型冠狀病毒(2019-nCoV) IgM/IgG抗體檢測試劑盒(膠體金法)), Diagnostic Kit for IgM Antibody to Mycoplasma Pneumonia (Colloidal Gold) (肺炎支原體IgM抗體檢測試劑盒(膠體金法)) and Diagnostic Kit for Antibody to Human Immunodeficiency Virus (ELISA) (人類免疫缺陷病毒抗體檢測試劑盒(酶聯免疫法)).

In the first half of 2021, under the stricter policy environment of the pharmaceutical industry and a complex and changing 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", and focusing on the core business of innovating new drugs. In operational management, the Company has steadily improved its R&D efficiency and continued to accelerate market promotions, further improving the competitive advantages of its products in the various aspects such as product quality, costs and market share, and has realized rapid growth in revenue from the principal businesses, while consolidating the foundation and capabilities of the enterprise for sustainable development continuously.

During the Reporting Period, the Group recorded an operating income of RMB6,235.53 million, representing an increase of 22.38% as compared with RMB5,095.24 million in the Same Period Last Year; a net profit attributable to Shareholders of the Company of RMB1,062.48 million, representing an increase of 5.75% as compared with RMB1,004.74 million in the Same Period Last Year. Excluding extraordinary gains and losses, the Company's net profit attributable to its Shareholders generated from its principal businesses in the first-half of 2021 was RMB920.07 million, representing an increase of 10.25% as compared with RMB834.56 million in the Same Period Last Year.

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

(1) Chemical drug preparation products

During the Reporting Period, the Group realized sales revenue of RMB3,730.53 million from chemical drug preparation products, representing a year-on-year increase of 61.12% and accounting for 60.23% of the Group's income from principal businesses for the Period. Among which, the innovative drug Ilaprazole (艾普拉唑) series products and the high-barrier complex preparation Leuporelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) maintained a high growth, accounting for 62.97% of sales revenue of chemical drug preparation products, and the contribution of which to the operating income and profit further improved.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

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

The Company regards R&D innovation as the basis for sustainable development by focusing on innovative drugs and high-barrier complex preparations products and unmet clinical demands. During the Reporting Period, leveraging on its traditional advantages in the assisted reproduction field and the gastroenterology field, the Company continued to strengthen the R&D of psychiatric and tumor immunity products in order to further improve its product pipelines. During the Reporting Period, the R&D team worked closely with the medical team, clinical team and KA (key accounts) department and achieved notable acceleration in the R&D progress of key product candidates. A number of important progressive developments were also achieved in the product pipelines:

High-barrier complex preparations including microspheres: The phase III clinical trial summary report of Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) (1-month sustained release) has completed, pending registration application; the phase I clinical single-dose trial for Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) (1-month sustained release) has completed; the phase I clinical trial and genetic filing for phase III clinical trial for Leuprolide Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) (3-month sustained release) has completed.

Other key programs in pipeline: the application for registration of Cetrorelix Acetate for Injection (注射用醋酸西曲瑞克) has been filed in China and the United States, and the material supplementing work is about to complete in China and the United States; the phase I clinical trial has completed, and the phase I expansion and the phase III clinical trial is about to start for Paclitaxel Micelles for Injection (注射用紫杉醇膠束); Lurasidone Hydrochloride Tablets (鹽酸魯拉西酮片) are in the process of undergoing BE (Bioequivalency) research.

Key programs for consistency evaluation: approvals have been obtained in respect of Omeprazole Sodium for Injection (注射用奧美拉唑鈉) and Fluvoxamine Maleate Tablets (馬來酸氟伏沙明片); the material supplementing work has been completed for Isosorbide Bononitrate Tablets (單硝酸異山梨酯片), Cefodizime Sodium for Injection (注射用頭孢地噻鈉) and Alanine Glutamine Injection (丙氨酸谷氨酰胺注射液), and Clarithromycin Tablets (克拉霉素片), Valsartan Capsules (缬沙坦膠囊) and Cefuroxime Sodium for Injection (注射用頭孢呋辛鈉) are under review.

During the Reporting Period, the Group's marketing team implemented sales deployment actively and intensified promotional efforts in products and brands by (i) enhancing the coverage and fulfillment rate of evaluation indicators on key product categories and combining Ilaprazole series products with other categories of products to realize coverage of more categories and increase in production quantity, resulting in significant recovery of overall sales of prescription drugs in the Period as compared to the previous period; (ii) focusing on terminal resources with terminal assessment focusing on KA hospitals, Grade III hospitals and key Grade II hospitals supplemented by other hospitals, resulting in continual increase in the coverage of hospitals by key products during the Reporting Period; (iii) strengthening professional and refined management and continuously improving the sales team of the psychiatric specialty, resulting in continual rapid growth of Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片), a product of psychiatric specialist, after being covered by the medical insurance; (iv) continuing to carry out evidence marketing with the post-marketing clinical and pharmacoeconomic research of key products being carried out in an orderly manner, driving the continual product growth; and (v) conforming to the national medical reform policies and local implementation measures by completing practical core work for market access such as medical insurance and tender. In this period, the Company participated in the fifth batch of national drug centralized procurement organized by the Joint Procurement Office. The Company's Tinidazole Tablets (替硝唑片) (0.5g; 8 tablets/box) were selected in this centralized procurement at a price of RMB10.89/box and in a number of 6.1188 million tablets.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

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

In terms of production quality, the Company actively put in practice the quality values of “scientific compliance, continuous improvement, pursuit of excellent quality, focusing on patients and dedicated to provide quality products for patients” and enhanced the quality management standards continuously. Meanwhile, the Company reinforced the EHS (Environment, Health and Safety) compliance management, proceeded in building a safety culture, enhanced the production safety management standards at all levels and the sense of production safety for all staff continuously. During the Reporting Period, the Company continued to strengthen the full life-cycle management for pharmaceutical products and the risk management of drug quality, and adopted a range of inspection methods to regulate the quality of production and scientific research, including regular audit, special audit, joint audit for suppliers, unannounced inspections and cross checking, widening the scope and depth of inspections. As at 30 June 2021, the quality management headquarters of the Company had conducted a total of 20 audits and inspections, including 4 appraisals on acceptance inspections, 7 times (cases) of joint audits for suppliers, 2 special/unannounced inspections on production of drug preparations and 7 special inspections on R&D.

During the Reporting Period, the standards of quality systems in the Group were enhanced steadily, the environmental and safety risk management of the systems were improved continuously, without the occurrence of any significant environmental incident, safety incident and occupational health incident.

(2) Biologics

Against the backdrop of the continuous global spread of the COVID-19 epidemic and the emergence of a variety of major epidemic strains of mutant viruses featuring by strong transmission, short incubation period, high viral load and rapid disease development with the Delta mutant strain as a representative, LivzonBio focused on promoting the clinical application, clinical development and industrialization 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 during the Reporting Period. As at the End of the Period, LivzonBio had completed the interim report of the clinical phase I/II study for V-01 with phase I/II clinical results showing excellence in safety and immunogenicity of the vaccine and was preparing to start the global multi-center phase III clinical study. The construction of the vaccine commercialization workshop has been completed and put into use. In addition, based on LivzonBio’s vaccine R&D platform, multiple projects of COVID-19 virus’ mutant strains are undergoing pre-clinical R&D and subsequent development of vaccines for other mutant strains can be quickly carried out in light of the prevalence of COVID-19 virus’ mutant strains.

Meanwhile, LivzonBio continued to focus on new molecules, new targets and differentiated molecular designs in the fields of tumors, immune diseases and assisted reproduction. During the Reporting Period, the following biological drugs have made phased progress in the R&D of the following projects: Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素) was approved for marketing, which is the first generic drug of Merck Serono’s recombinant human chorionic gonadotropin (Azer) in China; Recombinant Humanized Anti-IL-6R Monoclonal Antibody for Injection (重組人源化抗人IL-6R單克隆抗體注射液) is currently undergoing marketing application; the phase Ia dose ramp trial for psoriasis indication for 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) was completed and it entered the phase Ib/II clinical trial phase, and the preliminary clinical data showed that the efficacy was observed in patients with psoriasis upon low-dose one administration; the IND declaration for Recombinant Human Follicle Stimulating Hormone for Injection (重組人促卵泡激素注射液) was completed and clinical trials of other products are also ongoing.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

(3) APIs and intermediates

During the Reporting Period, the API business department of the Company adhered to the guiding philosophy of “safeguarding product safety and environmental protection, ensuring quality, reducing costs and grabbing the market”, and continued to strengthen EHS, quality, R&D, production, sales and other efforts. During the Reporting Period, the Group realized sales revenue of RMB1,462.31 million from APIs and intermediates products, representing a year-on-year increase of 19.17%, and accounting for 23.61% of the Group’s income from principal businesses for the Period.

During the Reporting Period, in terms of marketing, the overseas market for APIs grew strongly. In particular, the sales of high-end antibiotic products such as Vancomycin (萬古霉素), Teicoplanin (替考拉寧) and Daptomycin (達托霉素) were flourishing in overseas markets, because on the one hand, the opportunity arising from the epidemic was seized, and on the other hand, the registration in other overseas markets such as Europe and the United States was completed. In terms of high-end pet drug products, we have strengthened cooperation with major global animal protection companies, with prominent growth in sales in many regions around the world, and the market development of new products is progressing smoothly.

During the Reporting Period, the R&D in the field of APIs has been classified and adjusted, focusing on the application of R&D products. (i) In terms of fermented API R&D, Xinbeijiang Pharmaceutical and Jiaozuo Joincare jointly invested in the establishment of Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司), focusing on the concentrated R&D of biological fermentation products; (ii) In terms of synthetic API R&D, it mainly focused on the process optimization and verification batch production of high-end pet drugs such as Fluralaner (氟雷拉納), and at the same time, the R&D of two new independent projects in respect of Lana (拉納) products have been initiated; and (iii) In terms of the R&D of animal health products, it mainly focused on the registration and application and GMP certification of three products which have completed R&D, and at the same time, the R&D of large animal pour-on solution such as Moxidectin (莫西克汀), and the introduction of new external products have been initiated.

During the Reporting Period, the API business department of the Company continued to consolidate the foundation for environmental protection and product safety, improved the quality research of existing products, and optimized the production process. While promoting the normalization of GMP, manufacturers of the Group actively promoted international certification of a series of products: during the Reporting Period, we have obtained additional international registration for two products, which mainly include: Daptomycin (達托霉素) has been approved for registration in Portugal, Japan, India, Singapore, Brazil, and South Africa; Ceftriaxone Sodium (頭孢曲松鈉) has been approved for registration in Pakistan, East Africa, Colombia and Vietnam. As at 30 June 2021, the Group had completed 104 registration projects for a total of 28 products in 56 countries/regions. As at 30 June 2021, the Group’s APIs had passed 17 on-site inspections of international certification, obtained 49 certificates for 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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

(4) Diagnostic reagents and equipment

During the Reporting Period, the Group's diagnostic reagents and equipment realized sales revenue of RMB390.68 million, accounting for 6.31% of the Group's income from principal businesses for the Period, excluding the percentage of COVID-19 detection reagent products, representing a year-on-year growth of 21.96%.

During the Reporting Period, the multiple-liquid core platform (多重液芯平台) and molecular nucleic acid testing platform (分子核酸檢測平台) received a total of three domestic new product registration (filing) certificates, including one for class 3 medical device product, one for class 2 medical device product and one for class 1 medical device product. Moreover, Livzon Diagnostics further expanded into the overseas markets and completed the CE filing procedure for seven products, including the diagnostic kit for novel coronavirus (2019-nCoV) nucleic acid (PCR-fluorescent probe assay) (新型冠狀病毒(2019-nCoV)核酸檢測試劑盒(PCR-熒光探針法)) and the diagnostic kit for nucleic acid extraction (magnetic beads method) (核酸提取試劑盒(磁珠法)).

During the Reporting Period, with effective control over the spread of COVID-19 in the PRC, the regular business of medical institutions realized recovery, the businesses of respiratory tract and other diseases realized a greater year-on-year growth. In the introduction of new products for autoimmunity, tuberculosis and molecular diagnosis, Livzon Diagnostics began to increase promotional efforts in the second half of last year, recognition from customers was gradually received and its reagents entered the stage of selling.

In order to actualize the Group's strategic layout in the industrial chain of diagnostic reagents, the business segment of diagnostic reagents was enlarged and strengthened, while the profitability and comprehensive competitiveness of Livzon Diagnostics were also further enhanced. In November 2020, the general meeting of the Company considered and approved the spin-off of Livzon Diagnostics for listing on the ChiNext Board of the Shenzhen Stock Exchange. Livzon Diagnostics completed the filing for registration of tutoring at the Guangdong CSRC Bureau in November 2020 and had submitted the interim reports on the filing for tutoring in February 2021, May 2021 and August 2021, respectively.

(5) Traditional Chinese drug preparation products

During the Reporting Period, the traditional Chinese drug preparation products of the Group realized sales revenue of RMB610.26 million, representing a year-on-year decrease of 4.52%, accounting for 9.85% of the Group's income from principal businesses for the Period.

During the Reporting Period, the Company supplemented the clinical evidence-based medical research evidence of Shenqi Fuzheng Injection (參芪扶正注射液), focused on the tumor treatment field, strengthened academic promotion and expanded coverage of county-level medical institutions. The Company increased its efforts on the promotion of Qianlie Anshuan for andrology and urology and strengthened sales assessment. The Company continued to increase its efforts on the online branding of Anti-viral Granules (抗病毒顆粒) with consumers as the core by focusing on high-traffic media, conducting online communication interactions and empowering chain pharmacies, thus achieving good promotion effects. In addition, both of the "Technology Invention of Anti-viral Granules Against Newly Emerging Infectious Diseases (抗病毒顆粒抗新發傳染性疾病技術發明)" and the "Innovative Technology of Shenqi Fuzheng Injection to Improve the Quality of Life of Cancer Patients (參芪扶正注射液提高癌症患者生活質量的創新技術)" won the Gold Medal of 2020 (48th) Geneva International Exhibition of Inventions. Anti-viral Granules (抗病毒顆粒) was listed in the "Top 10 List of Evidence Index for Clinical Evidence-Based Evaluation of Chinese Patent Medicine (Influenza) (中成藥(流感)臨床循證評價證據指數TOP 10 榜)" in the 13th Healthy China Forum (第十三屆健康中國論壇).

In respect of the R&D of traditional Chinese medicine products, the Company focused on promoting the R&D of new products such as ancient classic traditional Chinese medicine compound new drugs, Shexiang Shuhuoling Gel (麝香舒活靈凝膠) (a new drug with improved formulation) and XFDX Granules (XFDX顆粒) (a new TCM compound new drug derived from clinical experience) and other new products, as well as the research on process change filing and technological advancement of marketed drugs.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

(5) Traditional Chinese drug preparation products *(Continued)*

During the Reporting Period, the Company used its own funds 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 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, with a view to achieving a certain degree of synergy with Tianjin Tongrentang in the development of the traditional Chinese medicine business.

(6) Functions and strategies

During the Reporting Period, with the mission of "prioritizing the quality of life of the patients" and the vision of "becoming a leader in the pharmaceutical industry", the Group continuously enhanced the strengths of innovative drugs and high-barrier complex preparations platform, increased investments in technological and management innovations, and strived to realize high quality development for the Company.

The key attainments in the functional areas were as follows: firstly, continued to introduce senior talents in scientific research, production and sales to strengthen the talent team, especially in respect of the R&D team, vigorously introduced talents at all levels from the aspects of pharmaceutical research, clinical medicine and BD (Business Development) in China and overseas; secondly, improved the project appraisal plan of the Group's scientific research team and formulated new incentive plans to further enhance the effectiveness and cohesion of the R&D team; thirdly, adjusted the remuneration system of each business unit of the Group through industry remuneration surveys, thereby enhancing the Group's remuneration competitiveness; fourthly, improved the organizational structure and institutional settings of the Group and some business units, and increased the efforts on the training and promotion of young talents; fifthly, formulated the "Standard Operation Management Implementation Rules for Subsidiaries of Livzon Group (Trial)" (《麗珠集團子公司規範運作管理實施細則(試行)》) to further improve the overall operating efficiency and risk control capabilities and standardize and improve internal control operation and management of the Group; sixthly, created an atmosphere of "happy life and happy work". The Group and its business units continued to optimize the working and living facilities and environment of the park and actively organized a series of sports and team building activities; seventhly, in response to the sudden outbreak of the COVID-19 pandemic in the Reporting Period, the Group actively responded to the government's anti-epidemic work, coordinated preventive and control measures against the epidemic and the production and operation tasks, and organized two vaccination and nucleic acid tests for COVID-19 in the headquarter park.

Key tasks for BD: while enhancing independent innovation continuously, the Company kept on paying attention to forefront technology, enhanced external cooperation, further deepened the collaboration between R&D and BD team, and accelerated innovative R&D and international industry layout through various means including external introduction and collaborative development. The BD team was distributed in Asia, Europe and the United States and was actively deploying in forefront fields. It strengthened the collaborative development and the license introduction in core areas through the global BD channels, strengthened the capabilities in overseas clinical and drug registration and application, and continuously expanded overseas markets. In the first half of 2021, the BD team promoted the establishment of the Group's internal computational chemistry platform and small molecule innovative drug platform; continued to cooperate with Tencent Quantum Lab (騰訊量子實驗室) on artificial intelligence in microbial synthetic biology and API synthesis; and launched a strategic cooperation with Zhihua Technology (智化科技), an AI chemical synthetic technology company, on chemical synthesis; participated in Round Pre-A equity investment in Beijing Yingfei Zhiyao Technology Co., Ltd. (北京英飛智藥科技有限公司) and signed a strategic cooperation agreement with it in relation to the small molecule innovative drugs in the key focused areas of Livzon.

The Company has always adhered to the principle of "employees are our most precious resource and top talents are the Company's important assets" and has realized a multi-level talent long-term incentive plan. The first phase ownership scheme of the Company's "Medium to Long-term Business Partner Share Ownership Scheme" (the "First Phase Ownership Scheme") was considered and approved at the 2020 second extraordinary general meeting on 6 May 2021, under which a total of 2,348,960 shares of the Company were purchased by means of centralized bidding transactions on 26 May 2021, accounting for 0.25% of the total share capital of the Company as at the End of the Period. The average transaction price was RMB49.92 per share, and the transaction amount was RMB117,268,338.21. The First Phase Ownership Scheme attaches rights and obligations to holders and establishes a partnership mechanism of "enjoying the benefits and assuming the risks together" among business partners, which is conducive to further stimulating the passion to start new ventures, fighting spirit and sense of mission of the management team and core personnel, realizing joint assumption of responsibilities and sharing of value, and promoting the Company's long-term and stable development.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

(6) Functions and strategies *(Continued)*

At the end of 2020, the Company launched the H Share repurchase plan. Under the general mandate to repurchase the Company's H Shares granted at the general meeting to the Board, the Company repurchased 6,628,600 H shares during the Period, the cancellation of which was completed on 7 May 2021.

II. ANALYSIS OF CORE COMPETITIVE STRENGTHS

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

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

The Group has strong R&D capabilities and global R&D vision in areas such as chemical and traditional Chinese drug preparation products, biologics and diagnostic reagents, and has established specialised technology platforms for R&D of sustained release microspheres and R&D of biologics with core leading R&D talents. By proactively introducing domestic and foreign experts and innovative talents, constantly increasing R&D investments, developing overseas strategic alliances, and focusing on areas of assisted reproduction, gastroenterology, psychiatry and neurology and tumor immunity, the Group has established a clear and diverse R&D pipeline for products, which further enhanced the R&D competitiveness of the Group.

(2) Diversified product mix and business layout

The products of the Group cover a number of pharmaceutical sub-sectors such as drug preparation products, APIs and intermediates, diagnostic reagents and equipment, and the Group has established an advantageous market position in a number of therapeutic field such as assisted reproduction, gastroenterology, psychiatry, neurology and tumor immunity. Currently, the Company further focuses on innovative drug and high-barrier complex drug preparation. Under the policy of the consistency evaluation and minimum procurement commitment, the Group enjoys unique advantage in terms of APIs and will continue to increase its efforts to integrate API and drug preparation products.

(3) Comprehensive marketing system and professional marketing team

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

(4) Mature quality management system

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF PRINCIPAL BUSINESSES

1. Summary

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

☒ Yes ☐ No

Please refer to the "I. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD" in Section III of the Report for relevant information.

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

☐ Applicable ☒ Not applicable

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

3. Segment information

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

4. Income and costs

(1) Composition of principal businesses

Unit: RMB

		Period		Previous Period		Year-on-year change
		Amount	As a percentage of income from principal businesses	Amount	As a percentage of income from principal businesses	
Total income from principal businesses		6,193,787,467.88	100.00%	5,070,600,012.43	100.00%	22.15%
By industry						
Pharmaceutical manufacturing industry		6,193,787,467.88	100.00%	5,070,600,012.43	100.00%	22.15%
By segment						
Chemical drug preparation	Gastroenterology	1,938,695,952.94	31.30%	996,705,292.95	19.66%	94.51%
	Gonadotropic hormones	1,258,194,562.14	20.31%	805,711,954.81	15.89%	56.16%
	Psychiatry	193,747,491.48	3.13%	126,365,952.06	2.49%	53.32%
	Anti-infection	195,132,592.63	3.15%	199,724,361.44	3.94%	-2.30%
	Others	144,763,247.88	2.34%	186,836,699.08	3.68%	-22.52%
APIs and intermediates		1,462,311,923.98	23.61%	1,227,068,601.74	24.20%	19.17%
Traditional Chinese drug preparation		610,258,117.05	9.85%	639,155,481.10	12.61%	-4.52%
Diagnostic reagents and equipment		390,683,579.78	6.31%	889,031,669.25	17.53%	-56.06%
By region						
Domestic		5,407,801,582.14	87.31%	4,018,148,776.81	79.24%	34.58%
Overseas		785,985,885.74	12.69%	1,052,451,235.62	20.76%	-25.32%

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF PRINCIPAL BUSINESSES *(Continued)*

4. Income and costs *(Continued)*

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

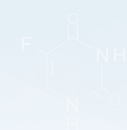
Unit: RMB

	Income from principal businesses	Costs 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 segment						
Chemical drug preparation	3,730,533,847.07	762,424,475.03	79.56%	61.12%	40.66%	Increased by 2.97 percentage points
APIs and intermediates	1,462,311,923.98	1,011,958,744.70	30.80%	19.17%	26.33%	Decreased by 3.92 percentage points
Traditional Chinese drug preparation	610,258,117.05	159,999,266.21	73.78%	-4.52%	-3.57%	Decreased by 0.26 percentage points
Diagnostic reagents and equipment	390,683,579.78	156,931,989.53	59.83%	-56.06%	-24.94%	Decreased by 16.65 percentage points
By region						
Domestic	5,407,801,582.14	1,597,504,695.96	70.46%	34.58%	28.03%	Increased by 1.51 percentage points
Overseas	785,985,885.74	493,809,779.51	37.17%	-25.32%	5.00%	Decreased by 18.14 percentage points

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

☐ Applicable ☒ Not applicable

During the Reporting Period, the Group's principal businesses generated income of RMB6,193.79 million, representing an increase of RMB1,123.19 million or 22.15% as compared with RMB5,070.60 million for the Same Period Last Year. In particular, income from chemical drug preparation products increased by 61.12% year-on-year and income from APIs and intermediates increased by 19.17% year-on-year.



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF PRINCIPAL BUSINESSES *(Continued)*

4. Income and costs *(Continued)*

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

During the Reporting Period, the sales income and year-on-year change of key drug preparation products are as follows: the sales income generated by key gonadotropic hormones products Leuporelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) amounted to RMB817.82 million, representing a year-on-year increase of 52.49%, and the sales income generated by Urofollitropin for Injection (注射用尿促卵泡素) amounted to RMB307.78 million, representing a year-on-year increase of 70.14%. The sales income generated by key gastroenterological product Ilaprazole series (艾普拉唑系列) amounted to RMB1,531.30 million, representing a year-on-year increase of 130.64%; the sales income generated by Rabeprazole Sodium Enteric-coated Capsules (雷貝拉唑鈉腸溶膠囊) amounted to RMB98.40 million, representing a year-on-year decrease of 9.92%; the sales income generated by the Bismuth Potassium Citrate series (得樂系列) amounted to RMB129.40 million, representing a year-on-year increase of 27.48%; the sales income generated by Livzon Weisanlian (麗珠維三聯) amounted to RMB156.91 million, representing a year-on-year increase of 65.67%. The sales income generated by key psychiatric products, Fluvoxamine Maleate Tablets (馬來酸氟伏沙明片) and Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片), amounted to RMB113.81 million and RMB80.56 million respectively, representing a year-on-year increase of 40.67% and 77.21% respectively. The sales income generated by the key anti-infection product Voriconazole for Injection (注射用伏立康唑) amounted to RMB115.10 million, representing a year-on-year increase of 9.00%. The sales income generated by traditional Chinese drug preparation product Shenqi Fuzheng Injection (參芪扶正注射液) amounted to RMB299.03 million, representing a year-on-year increase of 11.27%. The sales income generated by Anti-viral Granules (抗病毒顆粒) amounted to RMB228.00 million, representing a year-on-year decrease of 24.57%.

The income and year-on-year change of key APIs and intermediates are as follows: the sales income generated by Phenylalanine (苯丙氨酸) amounted to RMB202.99 million, representing a year-on-year increase of 17.62%; the sales income generated by Acarbose (阿卡波糖) amounted to RMB69.31 million, representing a year-on-year decrease of 38.89%; the sales income generated by Vancomycin Hydrochloride (鹽酸萬古霉素) amounted to RMB97.51 million, representing a year-on-year increase of 15.07%; the sales income generated by Daptomycin (達托霉素) amounted to RMB117.53 million, representing a year-on-year increase of 90.40%; the sales income generated by Lincomycin (林可霉素) amounted to RMB57.64 million, representing a year-on-year increase of 48.96%; the sales income generated by Milbemycin Oxime (米爾貝肟) amounted to RMB49.91 million, representing a year-on-year increase of 6.53%; and the sales income generated by Mevastatin (美伐他汀) amounted to RMB75.26 million, representing a year-on-year increase of 142.34%.

The growth of the Group's income of principal businesses was primarily due to the Group's continuous efforts in promoting marketing reforms, fully facilitating the mass market product channels, accelerating the establishment for sales in specialist arena, steadily increasing sales volume of key product categories with high gross profit in the chemical preparation segment with prominent overall growth. Besides, the sales volume of the API segment also rose steadily through consolidating resources, adjusting product mix and increasing international certifications.

During the Reporting Period, the Group's total costs of principal businesses amounted to RMB2,091.31 million, representing an increase of RMB373.28 million or 21.73% as compared with RMB1,718.03 million in the Same Period Last Year, which was mainly due to the growth in sales and the corresponding increase in the costs of principal businesses.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF PRINCIPAL BUSINESSES *(Continued)*

4. Income and costs *(Continued)*

(3) Income from principal businesses by region

Unit: RMB

Regions	Amount for the Period		Amount for the Previous Period	
	Income from principal businesses	Costs of principal businesses	Income from principal businesses	Costs of principal businesses
Domestic	5,407,801,582.14	1,597,504,695.96	4,018,148,776.81	1,247,744,765.49
Overseas	785,985,885.74	493,809,779.51	1,052,451,235.62	470,288,298.44
Total	6,193,787,467.88	2,091,314,475.47	5,070,600,012.43	1,718,033,063.93

(4) Major customers and suppliers

During the Reporting Period, sales to the five largest customers of the Group accounted for 8.72% (Same Period Last Year: 8.60%) of income from principal businesses of the Group, while amount of purchases from the five largest suppliers of the Group accounted for approximately 27.61% (Same Period Last Year: 29.69%) of the Group's total amount of purchases of raw materials. The five largest customers have been customers of the Group for 13.6 years on average, and the five largest suppliers have been suppliers of the Group for 9.4 years on average.

5. Expenses

During the Reporting Period, four types of expenses, including selling expenses, administrative expenses, R&D expenses and finance expenses, incurred by the Group amounted to RMB2,817.10 million in aggregate, representing a year-on-year increase of RMB891.11 million or 46.27%, the details of which are set out in the following table:

Unit: RMB

Item	Amount for the Period	Amount for the Previous Period	Year-on-year change	Reason for material changes
Selling expenses	2,045,170,075.55	1,414,807,205.96	44.55%	Mainly due to an increase in selling expenses in line with a prominent growth in the sales revenue of drug preparation products, as a result of the Company's increased marketing efforts for gastroenterology and psychiatry segments during the Period.
Administrative expenses	290,077,542.12	294,150,602.43	-1.38%	No material changes during the Reporting Period.
R&D expenses	506,868,876.08	306,436,137.69	65.41%	Mainly due to an increase in R&D investment, as a result of actively advancing the R&D progress of project of innovative drug "Recombinant SARS-CoV-2 Fusion Protein Vaccine" and the expansion of the scientific research team during the Period.
Finance expenses	-25,013,781.78	-89,402,680.69	72.02%	Mainly due to an increase in interest expenses as a result of an increase in loans during the Period and lower interest income than the Previous Period as a result of a decrease in deposit interest rate and no interest settled for some unexpired deposits.
Total	2,817,102,711.97	1,925,991,265.39	46.27%	

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF PRINCIPAL BUSINESSES *(Continued)*

5. Expenses *(Continued)*

During the Reporting Period, the total income tax expenses were RMB191.38 million, representing a year-on-year decrease of RMB35.53 million or 15.66%, which was mainly due to the corresponding reduction in the amount of provision for income tax expenses with a decline in total profit for the Period.

6. Investment in R&D

✓ Applicable ☐ Not applicable

During the Reporting Period, the Group's total expenditure relating to R&D amounted to approximately RMB545.28 million (Previous Period: RMB349.83 million), representing an increase of 55.87% year-on-year, accounting for approximately 4.54% of the net assets attributable to Shareholders of the Company and approximately 8.74% (Previous Period: 6.87%) of the Group's total operating income in the Reporting Period.

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

(1) Chemical drug preparation

High-barrier complex preparations including microspheres: There were a total of 6 projects under research, 1 project completed phase III clinical trial and prepared to apply for production, 2 projects completed phase I clinical trials, 1 project completed BE trial, 1 project obtained clinical trial approval and 1 project obtained approval for pre-clinical research. Among them, the phase III clinical trial and the sorting of the production and registration application materials for Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) have been completed pending application for production; Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) was in phase I clinical trial and a single administration study has been completed and the multiple-dose clinical trials have been initiated; Leuporelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) (3-month sustained release) has completed phase I clinical trials and completed phase III clinical genetic filing; Octreotide Acetate Microspheres for Injection (注射用醋酸奥曲肽微球) has started BE pre-test; Triptorelin Pamoate Microspheres for Injection (注射用雙羧基醋酸曲普瑞林微球) (3-month sustained release) has received the notice of clinical trials.

Other projects under research: There were a total of 26 projects under research, 2 projects have applied for production, 4 projects started clinical trial/BE study, 2 projects were in non-clinical study, 7 projects were in pharmaceutical study and Aipu projects were in various phases of R&D. Among them, application for registration for Cetrorelix Acetate for Injection (注射用醋酸西曲瑞克) were made in China and the United States and the material supplementing work is about to complete in China and the United States; Paclitaxel Micelles for Injection (注射用紫杉醇膠束) completed the phase I clinical trial; Lurasidone Hydrochloride Tablets (鹽酸魯拉西酮片) was in the BE study; the non-clinical study of Tongyuankang TY-2136b (LZ001) project was progressing smoothly.

Consistency evaluation: There were a total of 19 projects, 2 projects obtained approvals, 6 projects had applied for production, 1 project was in BE study, 6 projects were in pre-BE study and 4 projects were in pharmaceutical study. Of 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; materials have been supplemented for Isosorbide Bononitrate Tablets (單硝酸異山梨酯片), Cefodizime Sodium for Injection (注射用頭孢地噻鈉) and Alanine Glutamine Injection (丙氨酸谷氨酰胺注射液); Clarithromycin Tablets (克拉霉素片), Valsartan Capsules (缬沙坦膠囊) and Cefuroxime Sodium for Injection (注射用頭孢呋辛鈉) were under review; Bismuth Potassium Citrate Capsules (枸橼酸鉍鉀膠囊) was preparing for clinical trial; Rabeprazole Sodium Enteric-coated Tablets (雷貝拉唑鈉腸溶片) was in pilot scaling-up.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF PRINCIPAL BUSINESSES (Continued)

6. Investment in R&D (Continued)

(2) Biologics

There were a total of 7 projects under research, of which 1 project has been marketed, 1 project was applying for marketing, 3 projects were in phase Ib/II clinical trials, one project was in phase I clinical trial and one project was applying for IND.

Key projects under research: Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素) has been approved for marketing; Recombinant Humanized Anti-IL-6R Monoclonal Antibody for Injection (重組人源化抗人IL-6R單克隆抗體注射液) was in the process of marketing application; Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗) has completed phase II clinical trials, and a global multi-center phase III clinical study is about to start; Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody Injection (重組抗人IL-17A/F人源化單克隆抗體注射液) has completed the phase Ia dose ramp for psoriasis indications and entered phase Ib/II clinical trials; 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) was undergoing phase Ib/II clinical trials; Recombinant Tumor Enzyme Specific Interferon α -2b Fc Fusion (重組腫瘤酶特異性干擾素 α -2b Fc融合蛋白) was in the phase I clinical trial; Recombinant Human Follicle Stimulating Hormone for Injection (重組人促卵泡激素注射液) has completed the IND application.

(3) APIs and intermediates

There were a total of 6 projects under research, of which Dalbavancin (達巴萬星) has completed the verification and batch production, and Fluralaner (氟雷拉納) planned to carry out the verification and batch production.

(4) Diagnostic reagents and equipment

There were a total of 37 projects under research, of which 4 projects were in the clinical trial stage. In regard to the R&D platform for diagnostic reagents, two products including the Diagnostic Kit for IgM Antibody to Novel Coronavirus (2019-nCoV) (ELISA) (新型冠狀病毒(2019-nCoV)IgM抗體檢測試劑盒(酶聯免疫法)) completed domestic registration (filing), the Diagnostic Kit for IgM Antibody to Mycoplasma Pneumonia (Chemiluminescence Method) (肺炎支原體抗體IgM檢測試劑盒(化學發光法)) entered clinical trials, and the Diagnostic Kit for Human Immunoglobulin G4 (Chemiluminescence Method) (人免疫球蛋白G4檢測試劑盒(化學發光法)) entered the R&D transformation stage. 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, the R&D for second generation model of irradiator (輻照儀) entered the model engineering testing stage, and the molecular project pipetting (分子項目移液) completed platform building.

IV. ANALYSIS OF NON-PRINCIPAL BUSINESSES

✓ Applicable ☐ Not applicable

Unit: RMB

Item	Amount	As a percentage of total profit	Reason for occurrence	Sustainability
Investment income	35,103,261.85	2.56%	Mainly due to changes in profit and loss from investments in associates and gains generated upon expiration of forward foreign exchange settlement contracts.	Yes
Gains or losses arising from changes in fair value	34,795,898.95	2.54%	Mainly due to fluctuations in the market value of subject securities investment held.	No
Asset impairment	-28,613,112.79	-2.09%	Mainly due to impairment provisions for inventories.	No
Non-operating income	3,794,776.71	0.28%	Mainly due to income on disposal of obsolete.	No
Non-operating expenditure	4,721,985.89	-0.34%	Mainly due to donation payments and loss on scrapping of fixed assets.	No
Other income	116,722,053.14	8.51%	Mainly due to the government subsidies received.	Yes

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION

1. Material changes in composition of assets

Unit: RMB

Item	End of the Reporting Period		End of the Previous Year		Change in proportion	Reason for material changes
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Cash at bank and on hand	8,584,471,097.96	40.76%	9,953,747,563.47	48.34%	-7.58%	No material changes
Accounts receivable	2,194,644,755.59	10.42%	1,743,148,037.38	8.47%	1.95%	No material changes
Contract assets	—	—	—	—	—	—
Inventories	1,461,440,417.89	6.94%	1,487,796,389.98	7.23%	-0.29%	No material changes
Investment properties	—	—	—	—	—	—
Long-term equity investments	957,697,742.75	4.55%	245,115,479.10	1.19%	3.36%	No material changes
Fixed assets	3,464,937,811.44	16.45%	3,303,077,566.22	16.04%	0.41%	No material changes
Construction in progress	524,008,250.29	2.49%	385,700,738.39	1.87%	0.62%	No material changes
Right-of-use assets	16,708,305.41	0.08%	18,311,378.07	0.09%	-0.01%	No material changes
Short-term loans	1,761,919,976.54	8.37%	1,550,942,804.06	7.53%	0.84%	No material changes
Contract liabilities	62,413,725.75	0.30%	104,445,427.26	0.51%	-0.21%	No material changes
Long-term borrowings	638,453,815.00	3.03%	360,324,027.48	1.75%	1.28%	No material changes
Lease liabilities	7,087,024.57	0.03%	10,099,025.42	0.05%	-0.02%	No material changes

2. Major Foreign Assets

☐ Applicable ☒ Not applicable

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(Continued)*

3. Assets and liabilities measured at fair value

☒ Applicable ☐ Not applicable

Unit: RMB

Item	At the Beginning of the Period	Gains or losses arising from change in fair value for the Period	Accumulated change in fair value in equity	Impairment provision for the Period	Amount purchased during the Period	Amount sold during the Period	At the End of the Period
Financial assets							
1. Financial assets held for trading (excluding derivative financial assets)	15,261,152.77	43,159,412.67	-	-	197,530,071.41 ^{Note}	17,857,439.90	238,093,196.95
2. Derivative financial assets	10,723,724.36	-7,882,622.65	-	-	-	-	2,841,101.71
3. Other debt investments	-	-	-	-	-	-	-
4. Other equity instrument investments	742,974,792.15	-	-162,733,613.84	-	2,060,509.10	34,667,195.38	547,634,492.03
Subtotal of financial assets	768,959,669.28	35,276,790.02	-162,733,613.84	-	199,590,580.51	52,524,635.28	788,568,790.69
Investment properties	-	-	-	-	-	-	-
Productive biological assets	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Total	768,959,669.28	35,276,790.02	-162,733,613.84	-	199,590,580.51	52,524,635.28	788,568,790.69
Financial liabilities	212.07	-480,891.07	-	-	-	-	481,103.14

Note: In 2018, SCC VENTURE VII 2018-C, L.P. ("SCC VII"), in which the Company made investment, invested in Beam Therapeutics Inc. ("BEAM Inc."). BEAM Inc. was listed on the Nasdaq Stock Exchange of the United States in 2020. During the Reporting Period, SCC VII was proposed to be de-registered and the Company was allocated the shares of BEAM Inc. after its listing pursuant to the investment agreement.

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

☐ Yes ☒ No

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

☒ Applicable ☐ Not applicable

The thirteenth meeting of the ninth session of the Board of the Company considered and approved the "Resolution on 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 RMB286.2949 million. The balance of the actual deposits paid by the Company and its subsidiaries for the businesses such as letters of guarantee was RMB1.0719 million.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(Continued)*

5. Material changes in consolidated balance sheet items

Unit: RMB

Item	30 June 2021	31 December 2020	Year-on-year change
Financial assets held for trading	240,934,298.66	25,984,877.13	827.21%
Prepayments	342,433,394.28	142,174,129.24	140.85%
Non-current assets due within one year	—	11,414,376.07	-100.00%
Long-term equity investments	957,697,742.75	245,115,479.10	290.71%
Construction in progress	524,008,250.29	385,700,738.39	35.86%
Contract liabilities	62,413,725.75	104,445,427.26	-40.24%
Employee benefits payable	162,658,572.78	363,416,250.83	-55.24%
Long-term loans	638,453,815.00	360,324,027.48	77.19%
Treasury shares	—	250,061,413.16	-100.00%
Other comprehensive income	23,095,216.08	169,983,800.56	-86.41%

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

- (1) Financial assets held for trading recorded a year-on-year increase of 827.21%, 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 proposed deregistration of SCC VENTURE VII 2018-C, L.P. in which the Company made investment.
- (2) Prepayments recorded a year-on-year increase of 140.85%, which was mainly due to the increase in procurement amounts and costs prepaid for materials.
- (3) Non-current assets due within one year recorded a year-on-year decrease of 100.00%, which was mainly due to the receipt of consideration for the transfer of some equity interest in a holding subsidiary during the Period.
- (4) Long-term equity investments recorded a year-on-year increase of 290.71%, which was mainly due to the acquisition of 40% equity interest in Tianjin Tongrentang Group Co., Ltd.
- (5) Construction in progress recorded a year-on-year increase of 35.86%, which was mainly due to the investment in the construction of new plant and workshop by subsidiaries.
- (6) Contract liabilities recorded a year-on-year decrease of 40.24%, which was mainly due to some contract amounts received in advance have fulfilled the income recognition conditions for transfer into revenue.
- (7) Employee benefits payable recorded a year-on-year decrease of 55.24%, which was mainly due to the payment of a special fund for Medium to Long-term Business Partner Share Ownership Scheme.
- (8) Long-term loans recorded a year-on-year increase of 77.19%, which was mainly due to new bank borrowings during the Period.
- (9) Treasury shares recorded a year-on-year decrease of 100.00%, which was mainly due to the cancellation of shares repurchased during the Reporting Period.
- (10) Other comprehensive income recorded a year-on-year decrease of 86.41%, which was mainly due to the disposal of investments in other equity instruments during the Period, 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 30 June 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 36.11% as at 30 June 2021.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(Continued)*

6. Material changes in consolidated income statement items

Unit: RMB

Item	Amount for the Period	Amount for the Previous Period	Year-on-year change
Selling expenses	2,045,170,075.55	1,414,807,205.96	44.55%
R&D expenses	506,868,876.08	306,436,137.69	65.41%
Finance expenses	-25,013,781.78	-89,402,680.69	72.02%
Investment income	35,103,261.85	112,652,614.84	-68.84%
Gains on fair value changes	34,795,898.95	-4,551,829.33	864.44%
Asset impairment losses	-28,613,112.79	-13,267,639.71	115.66%
Non-operating income	3,794,776.71	904,921.05	319.35%
Non-operating expenses	4,721,985.89	12,815,982.32	-63.16%
Profit and loss attributable to minority interest	117,305,517.42	325,984,971.27	-64.02%
Other comprehensive income, net of tax	-147,548,852.00	25,670,889.38	-674.77%

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

- (1) Selling expenses recorded a year-on-year increase of 44.55%, which was mainly due to the increase in selling expenses in line with a prominent growth in the sales revenue of drug preparation products during the Period, as a result of the Company's increased marketing efforts for gastroenterology and psychiatry segments during the Period.
- (2) R&D expenses recorded a year-on-year increase of 65.41%, which was mainly due to an increase in R&D investment, as a result of actively advancing the R&D progress of project of innovative drug "Recombinant SARS-CoV-2 Fusion Protein Vaccine" and the expansion of the scientific research team during the Period.
- (3) Finance expenses recorded a year-on-year increase of 72.02%, which was mainly due to an increase in interest expenses as a result of an increase in loans during the Period and lower interest income than the Previous Period as a result of a decrease in deposit interest rate and no interest settled for some unexpired deposits.
- (4) Investment income recorded a year-on-year decrease of 68.84%, which was mainly due to the gains generated in the Previous Period from the disposal of equity interest in Jiangsu Ni Ke Medical Device Co., Ltd.
- (5) Gains on fair value changes recorded a year-on-year increase of 864.44%, which was mainly due to the fluctuations in the market value of the subject of the investment securities held.
- (6) Asset impairment losses recorded a year-on-year increase of 115.66%, which was mainly due to an increase in the provision for price decline in inventories.
- (7) Non-operating income recorded a year-on-year increase of 319.35%, which was mainly due to income on disposal of obsolete products.
- (8) Non-operating expenses recorded a year-on-year decrease of 63.16%, which was mainly due to the higher expenditure on charitable donation payments in the Previous Period.
- (9) Profit and loss attributable to minority interest recorded a year-on-year decrease of 64.02%, which was mainly due to less profit generated from non-wholly owned subsidiaries during the Period as compared with the previous period such that the profit and loss attributable to minority interest decreased accordingly.
- (10) Other comprehensive income, net of tax, recorded a year-on-year decrease of 674.77%, which was mainly due to the transfer of other comprehensive income recognized in the Previous Period into retained earnings after the disposal of investment in other equity instruments during the Period.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(Continued)*

7. Material changes in consolidated cash flow items

Unit: RMB

Item	Amount for the Period	Amount for the Previous Period	Year-on-year change
Subtotal of cash outflows from investing activities	1,229,752,741.51	280,400,507.63	338.57%
Net cash flow from investing activities	-1,051,218,245.68	-106,933,092.99	-883.06%
Subtotal of cash inflows from financing activities	1,912,145,884.90	674,688,357.82	183.41%
Net cash flow from financing activities	-970,288,565.92	-2,343,913,950.06	58.60%
Effect of exchange rate changes on cash and cash equivalents	-22,054,962.00	3,053,184.67	-822.36%

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

- (1) Subtotal of cash outflows from investing activities recorded a year-on-year increase of 338.57% was mainly due to the payment of consideration for the acquisition of 40% equity interest in Tianjin Tongrentang Group Co., Ltd.
- (2) Net cash flow from investing activities recorded a year-on-year decrease of 883.06%, which was mainly due to the payment of consideration for the acquisition of 40% equity interest in Tianjin Tongrentang Group Co., Ltd.
- (3) Subtotal of cash inflows from financing activities recorded a year-on-year increase of 183.41%, which was mainly due to the increase in bank borrowings during the Period as compared with the previous period.
- (4) Net cash flow from financing activities recorded a year-on-year increase of 58.60%, which was mainly due to a higher repayment amount of bank borrowings in the previous period.
- (5) Effect of exchange rate changes on cash and cash equivalents recorded a year-on-year decrease of 822.36%, which was mainly due to the changes in exchange rates resulting in exchange losses on cash held in foreign currencies.

Reasons for material differences between the net cash flow from operating activities of the Company during the Reporting Period and the net profit for the Reporting Period

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(Continued)*

9. Liquidity and financial resources

As at 30 June 2021, the Group's cash at bank and on hand amounted to RMB8,584.47 million (31 December 2020: RMB9,953.75 million), which arose primarily from operating income of the Company, which was used primarily for daily operation and investment activities of the Company as well as distribution of dividends.

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

During the Reporting Period, the credit facilities that may be applied for with approval from the Board and the general meeting of the Company amounted to RMB20,340.00 million and the actual amount of credit applied to the banks for use amounted to RMB3,353.50 million.

Unit: RMB

Item	End of the Period (30 June 2021)			End of the Previous Year (31 December 2020)		
	Amount in foreign currency	Translation rate	Amount in RMB	Amount in foreign currency	Translation rate	Amount in RMB
Cash on hand:	–	–	608,704.63	–	–	160,781.75
– RMB	–	–	592,039.36	–	–	143,535.86
– USD	700.00	6.4601	4,522.07	700.00	6.5249	4,567.43
– Euro	1,579.87	7.6862	12,143.20	1,579.87	8.025	12,678.46
Bank deposits:	–	–	8,492,715,508.19	–	–	9,860,877,412.96
– RMB	–	–	7,686,470,170.74	–	–	8,962,639,630.48
– HKD	7,424,326.80	0.83208	6,177,633.84	59,024,354.62	0.84164	49,677,257.82
– USD	123,416,000.27	6.4601	797,279,703.34	129,781,661.24	6.5249	846,812,361.44
– Japanese Yen	–	0.058428	–	–	0.063236	–
– Euro	100,590.09	7.6862	773,155.55	78,241.56	8.025	627,888.52
– MOP	2,492,385.85	0.8084	2,014,844.72	1,370,869.68	0.8172	1,120,274.70
Others:	–	–	91,146,885.14	–	–	92,709,368.76
RMB	–	–	2,230,318.38	–	–	2,930,256.74
HKD	1,612,600.49	0.83208	1,341,812.62	1,614,514.71	0.84164	1,358,840.16
USD	13,556,253.64	6.4601	87,574,754.14	13,551,207.20	6.5249	88,420,271.86
Total	–	–	8,584,471,097.96	–	–	9,953,747,563.47

As at 30 June 2021, the balance of the Group's borrowings amounted to RMB2,400.37 million (31 December 2020: RMB1,911.27 million), accounting for 11.40% of total assets (31 December 2020: 9.28%), of which the balance of short-term borrowings due within one year amounted to RMB1,761.92 million (31 December 2020: RMB1,550.94 million), accounting for 8.37% of the total assets (31 December 2020: 7.53%) and the balance of long-term borrowings due over one year amounted to RMB638.45 million (31 December 2020: RMB360.32 million), accounting for 3.03% of the total assets (31 December 2020: 1.75%). During the Reporting Period, the Group's repayment of bank borrowings due amounted to RMB722.58 million. There was no distinct seasonal demand for each of the above borrowings.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(Continued)*

10. Capital structure

The Group's capital comprises Shareholders' equity and liabilities. As at 30 June 2021, Shareholders' equity amounted to RMB13,453.79 million, total liabilities amounted to RMB7,605.04 million and total assets amounted to RMB21,058.83 million. In particular, the Group's current liabilities amounted to RMB6,485.77 million (31 December 2020: RMB6,082.89 million), representing an increase of 6.62% as compared with that at the End of the Previous Year; total non-current liabilities amounted to RMB1,119.27 million (31 December 2020: RMB867.84 million), representing an increase of 28.97% as compared with that at the End of the Previous Year. During the Reporting Period, repayment of debt amounted to RMB722.58 million (Repayment of debt in the Previous Period was RMB1,629.71 million).

As at the End of the Reporting Period, equity attributable to Shareholders of the Company amounted to RMB12,001.20 million (31 December 2020: RMB12,107.24 million), representing a decrease of 0.88% as compared with that at the End of the Previous Year. Minority interests amounted to RMB1,452.59 million (31 December 2020: RMB1,532.84 million), representing a decrease of 5.24% as compared with that at the End of the Previous Year.

11. Capital commitments

Item	Balance at the End of the Period	Unit: RMB
		Balance at the Beginning of the Period
Contracted but not recognized in the financial statements – Commitments for purchase and construction of long-term assets	501,892,365.16	621,715,798.13
Total	501,892,365.16	621,715,798.13

12. Interest rate

As at 30 June 2021, the aggregate interest-bearing bank and other borrowings amounted to RMB2,399.42 million (31 December 2020: RMB1,910.78 million). The interest rate structure: RMB1,223.01 million accrued interest at a floating interest rate and RMB1,176.41 million accrued interest at a fixed annualized interest rate of 3.59% per annum.

13. Maturity analysis of outstanding liabilities

	30 June 2021	Unit: RMB in millions
		31 December 2020
Within one year	2,936.10	2,468.95
1-2 years	–	–
2-5 years	638.45	360.32
Over 5 years	–	–
Total	3,574.55	2,829.27

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(Continued)*

14. Gearing ratio

The gearing ratios as at 30 June 2021 and 31 December 2020 were calculated by dividing total liabilities by Shareholders' equity of the Group as at the respective dates. The gearing ratio of the Group increased from 20.74% as at 31 December 2020 to 26.57% as at 30 June 2021.

15. Interest expenses and capitalisation

	Period	Unit: RMB Previous Period
Interest expenses ^(Note)	36,051,011.53	7,012,674.28
Capitalised interest	—	—
Total interest expenses	36,051,011.53	7,012,674.28

Note: Interest expenses are mainly due to bank borrowings.

16. Foreign exchange risks

Details of foreign exchange risks of the Group are set out in "Note VIII. RISKS MANAGEMENT OF FINANCIAL INSTRUMENTS" to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises as set out in the Report. As RMB is the major functional currency of the Company, in case of sales, purchases and investment/financing businesses which are not settled in RMB, corresponding foreign exchange exposures may arise. With "prevention and control of risk and locking in profit" as its management goal, the Company has established the "Management System for Foreign Exchange Risk", which requires a certain hedging ratio, to minimize the impact arising from fluctuations of exchange rates on the business of the Company by monitoring and controlling its foreign exchange risks through the use of foreign exchange financial derivatives.

17. Contingent liabilities

As at 30 June 2021, the Group had no significant contingent liabilities.

18. Pledge of assets

As at 30 June 2021, the assets of the Company subject to pledge were as follows:

	30 June 2021 (RMB)	Reasons for being subject to restriction
Assets pledged:		
Bills receivable	286,294,897.67	Pledged bills receivables for the bill pool business
Other monetary funds	1,071,889.40	Deposits for letters of guarantee and other businesses
Total	287,366,787.07	

Note: On 23 April 2018, the thirteenth meeting of the ninth session of the Board of the Company reviewed and passed the "Resolution on Conducting Bills Pooling Business" and agreed that an amount of up to RMB1.4 billion for conducting bills pooling business would be shared by the Company and its subsidiaries, such amount may be utilized on rolling basis. As at 30 June 2021, the amount of bills receivables pledged by the Group to the banks amounted to RMB286.2949 million.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(Continued)*

19. Employees, remuneration, pension scheme and training

As at 30 June 2021, the Group had 8,250 (31 December 2020: 8,367) employees. The remuneration of the employees was determined by the Group mainly according to the laws and regulations of the PRC, the Company's economic performance and by reference to remuneration level in the market. During the Reporting Period, total wages, bonuses, allowances, compensation, welfare, housing funds and social insurance paid to the employees by the Group amounted to RMB834.02 million (Payment in the Previous Period was RMB587.68 million).

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

During the Reporting Period, the Company attached great importance to the development and cultivation of talents. To facilitate the development of the Company and the enhancement of the comprehensive skills of employees, the Company is gradually building a diversified and all-round staff training system. According to the Group's strategic needs and talent classification, the Company conducted trainings by a combination of online and offline learning methods. For example, various forms of trainings were provided, including organizing further studies for on-job master (doctorate) degrees, continuing education for professional technical staff of various fields and joint postgraduate programmes in cooperation with relevant universities, intelligent office software application trainings for staff of basic to intermediate level, induction trainings for new employees, induction trainings for 2021 fresh graduates and interdepartmental team building. The Company introduced an external training platform for management members of great potential, mainly offering online courses on management. Meanwhile, external experts were invited to deliver in-depth and professional teaching, aiming to cultivate a group of young outstanding talents. The courses were designed to be novel and diverse in contents, capable of improving learning effect and work efficiency of employees. The Company attached importance to the training of employees: comprehensive statistics was conducted on in-house training and a training plan was formulated thereon during the Reporting Period. In the second half of 2021, so far as the pandemic permits, the Company will organize various forms of large-scale and targeted trainings, striving to fully cover its skeleton staff and high-potential personnel, and offering employees with training opportunities to enhance their comprehensive capabilities.

In addition, since the Beginning of the Reporting Period, the Company has reviewed the training data of the Group according to the disclosure requirements of the Environmental, Social and Governance Report as set out in Appendix 27 of the Hong Kong Listing Rules to ensure the accuracy and scientificity of the training data of the Group. The Company comprehensively upgraded the quality of trainings through classification of training participants, enriching the training courses, inviting internal and external high-quality lecturers and experts in various fields, while at the same time educated the Group's employees on the contents and strengths in the aspects of quality control, production control, safety and environmental protection, financial system, human resources administration system, information system and product knowledge so as to enable employees to have a comprehensive understanding of the corporate culture of the Group, enhance their professional and technical capabilities and further promote the harmonious unification of employees and teams to form an excellent team daring to confront difficult challenges.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(Continued)*

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 30 June 2021, the total investment of the specific contracts entered into for the Project amounted to RMB215.5972 million, and the sum of subsidies received from government authorities at various levels amounted to RMB98.55 million, the civil construction works for the fully automatic elevated warehouse together with the construction works for the main structure and masonry structure of the medical depot were completed, and the water extraction workshop, the preparation building, and the pretreatment workshop commenced construction, and the Project was smooth in progress.

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 medicines. Tianjin Tongrentang has a stable operating performance with unique products and promising growth potential. 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). 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. The Transaction is not expected to have a material impact on the current and future financial position and operating results of the Company. After completion of the Transaction, the financial statement of Tianjin Tongrentang will not be consolidated in the Company's financial statement and will only be treated as an investment by the Company.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF FINANCIAL POSITION *(Continued)*

20. Investments *(Continued)*

Acquisition of 40.00% equity interest in Tianjin Tongrentang *(Continued)*

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, during the share transfer period of the Transaction, Tianjin Tongrentang implemented the equity distribution for the year 2020 (distribution of cash dividends), and pursuant to the Agreement, Tianjin Tasly shall pay the Company the full amount of the cash dividends received during the share transfer period. On 27 April 2021, the Company has received the aforesaid cash dividends which amounted to a total of RMB40.04 million.

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) on 28 June 2021, which states that the Shenzhen Stock Exchange has accepted the application documents of Tianjin Tongrentang in connection with the listing of shares from initial public offering on the ChiNext Board. However, it remains uncertain whether such application would be approved by the Shenzhen Stock Exchange.

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

Save as disclosed in this Report, during the Reporting Period, the Group did not make any equity acquisition and/or other significant investments, nor was there any significant change in the investments held by the Group as compared to the relevant information disclosed in the 2020 annual report of the Company.

VI. ANALYSIS OF INVESTMENT

1. Overall particulars

✓ Applicable ☐ Not applicable

Amount of investment for the Period (RMB)	Amount of investment for the Previous Period (RMB)	Year-on-year Change
795,650,000.00	70,091,000.00	1,035.17%

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF INVESTMENT (Continued)

2. Material equity investments during the Reporting Period

✓ Applicable ☐ Not applicable

Unit: RMB

Name of investee	Principal business	Investment method	Investment amount	Percentage of shareholding	Source of funds	Partner(s)	Investment period	Type of products	Status as at balance sheet date	Expected return	Investment profit or loss in the Period	Litigation involved	Disclosure date (if any)	Disclosure index (if any)
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.	-	14,751,708.09	No	See Note 1 for details	See Note 1 for details
Beijing Infinite Intelligence Pharma 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.	-	-260,176.46	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.	-	-	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.	-	-	No	N/A	N/A
Total	-	-	795,650,000.00	-	-	-	-	-	-	-	14,491,531.63	-	-	-

Note: 1. 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;

2. 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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF INVESTMENT *(Continued)*

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

☐ Applicable ☒ Not applicable

4. Investment in financial assets

(1) Investment in securities

☒ Applicable ☐ Not applicable

Unit: RMB

Types of securities	Securities code	Securities abbreviation	Initial investment cost	Accounting measurement	Carrying amount at the Beginning of the Period	Gains or losses on fair value change for the Period	Accumulated change in fair value included in equity	Amount of purchase during the Period	Amount of disposal during the Period	Profit or loss for the Period	Carrying amount at the End of the Period	Accounting item	Sources of fund
Share	00135	Kunlun Energy	4,243,647.64	Measured at fair value	5,596,906.00	369,107.60	-	-	-	369,107.60	5,966,013.60	Financial assets measured at fair value	Self-owned funds
Fund	206001	Penghua Fund	150,000.00	Measured at fair value	909,752.05	17,055.84	-	-	-	17,055.84	926,807.89	through profit or loss for current period	Self-owned funds
Share	000963	Huadong Medicine	39,851.86	Measured at fair value	8,754,494.72	6,410,953.40	-	-	-	6,486,764.16	15,165,448.12	Self-owned funds	
Share	BEAM(US) ^{NOTE}	Beam Therapeutics, Inc.	-	Measured at fair value	-	36,362,295.83	-	197,530,071.41	17,857,439.90	38,460,182.64	216,034,927.34	Self-owned funds	
Other securities investment held at the End of the Period			-	-	-	-	-	-	-	-	-	-	-
Total			4,433,499.50	-	15,261,152.77	43,159,412.67	-	197,530,071.41	17,857,439.90	45,333,110.24	238,093,196.95	-	-
Disclosure date of the announcement in relation to the approval of securities investment by the Board							Not applicable						
Disclosure date of the announcement in relation to the approval of securities investment by the shareholders' meeting (if any)							Not applicable						

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 proposed to be de-registered and the Company was allocated the shares of BEAM Inc. after its listing pursuant to the investment agreement.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF INVESTMENT (Continued)

4. Investment in financial assets (Continued)

(2) Information on investment in derivatives

✓ Applicable □ Not applicable

Unit: RMB0'000

Name of the operator of derivative investment	Connected relationship	Connected Transaction	Type of derivative investment	Initial investment amount of derivative investment	Commencement date	Maturity date	Investment amount at the Beginning of the Period	Amount of purchase during the Period	Amount of disposal during the Period	Impairment provision (if any)	Investment amount at the End of the Period	Percentage of investment amount at the End of the Period to the net assets of the Company at the End of the Period	Actual gains or losses during the Period
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	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	-	10,684.55	-	5,168.08	0.43%	197.62
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	18,300.78	2021-1-4	2021-12-27	-	18,300.78	14,938.11	-	3,327.15	0.28%	49.47
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	4,319.27	2021-2-2	2021-9-24	-	4,319.27	3,466.32	-	651.50	0.05%	22.67
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	8,568.38	2021-3-4	2021-9-24	-	8,568.38	4,865.78	-	3,483.77	0.29%	56.25
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	19,863.28	2021-4-1	2021-10-15	-	19,863.28	7,567.57	-	8,542.65	0.71%	-44.02
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	14,871.89	2021-5-7	2021-12-24	-	14,871.89	224.15	-	14,738.44	1.23%	0.56
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	4,988.57	2021-6-1	2021-12-24	-	4,988.57	-	-	5,027.56	0.42%	-
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	USD call option contract (buy)	1,359.97	2020-10-12	2021-3-8	1,321.94	-	1,310.69	-	-	-	66.36
Total				115,001.75	-	-	42,438.82	71,476.73	69,065.67	-	40,939.15	3.41%	1,638.95

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF INVESTMENT (Continued)

4. Investment in financial assets (Continued)

(2) Information on investment in derivatives (Continued)

Name of the operator of derivative investment	Connected relationship	Connected Transaction	Type of derivative investment	Initial investment amount of derivative investment	Commencement date	Maturity date	Investment amount at the Beginning of the Period	Amount of purchase during the Period	Amount of disposal during the Period	Impairment provision (if any)	Investment amount at the End of the Period	Percentage of investment amount at the End of the Period to the net assets of the Company at the End of the Period	Actual gains or losses during the Period
Source of funds for investment in derivatives				Self-financing									
Litigation involved (if applicable)				Not applicable									
Disclosure date of the announcement in relation to the approval of investment in derivatives by the Board (if any)				8 May 2021 and 29 July 2021									
Disclosure date of the announcement in relation to the approval of investment in derivatives by the shareholders' meeting (if any)				Not applicable									
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.)				<p>To effectively manage the uncertainty of exchange rate fluctuations on assets denominated in foreign currency of the Company, foreign exchange forward contracts and other financial derivatives are employed to lock relevant exchange rates for the purpose of hedging. The Company has formulated the "Foreign Exchange Risk Management Measures" in relation to the operation and control of foreign exchange derivatives: 1. Market risk: the uncertainty of exchange rate fluctuations in the foreign exchange market has led to higher market risk in foreign exchange forward business. Control measures: the Company's foreign exchange forward business is entered into for hedging exchange rate risk associated with assets denominated in U.S. dollar and lock the future exchange settlement price of such assets. It is designed to be used as a hedging instrument. Such foreign exchange derivatives shall not be used for speculative trading. The principle of prudence and conservation shall be observed so as to effectively prevent market risk. 2. Operational risk: operational risk is arising from imperfect internal process, improper operation, system failure and other factors. Control measures: the Company has formulated the corresponding management measures, clearly defined the responsibilities of all parties, improved the review and approval process and established supervisory mechanism, so as to effectively reduce operational risk. 3. Legal risk: the Company's foreign exchange forward business is subject to applicable laws and regulations, and shall clearly stipulate the relationship of rights and obligations with financial institutions. Control measures: in addition to strengthening the knowledge of laws and regulations and market rules, the Company's responsible department also stipulates that the Company's legal department shall strictly review various business contracts, agreements and other documents, clarify rights and obligations, and strengthen compliance inspection, so as to ensure that the Company's derivatives investment and operations meet the requirements of applicable laws and regulations as well as the Company's internal systems.</p> <p>In order to manage the uncertainty risk caused by price fluctuations of bulk commodities on the purchase cost of raw materials of the Company, financial derivatives such as commodity futures contracts are employed to hedge raw materials. The Company has formulated the "Measures for the Management of Commodity Futures Hedging Business" to standardize the management and risk control of commodity futures derivatives: 1. Market risk: the uncertainty of price changes of bulk commodities has led to greater market risk in futures business. Control measures: the Company's futures hedging business shall not carry out speculative trading, the operation principle of prudence and conservation shall be observed, the number of hedging transactions shall be strictly limited, such that it does not exceed the actual number of spot transactions, and the futures position shall not exceed the spot volume for hedging purpose. 2. Operational risk: operational risk is arising from imperfect internal process, improper operation, system failure and other factors. Control measures: the Company has formulated the corresponding management system, clearly defined the division of responsibilities and approval process, and established an improved supervisory mechanism, so as to effectively reduce operational risk through risk control of business process, decision-making process and transaction process. 3. Legal risk: the Company's commodity futures hedging business is subject to applicable laws and regulations, and shall clearly stipulate the relationship of rights and obligations with financial institutions. Control measures: in addition to strengthening the knowledge of laws and regulations and market rules, the Company's responsible department also stipulates that the Company's legal department shall strictly review various business contracts, agreements and other documents, clarify rights and obligations, and strengthen compliance inspection, so as to ensure that the Company's derivatives investment and operations meet the requirements of applicable laws and regulations as well as the Company's internal systems.</p>									
Change in market price or fair value of the derivatives invested during the Reporting Period (specific method, related assumptions and parameters used in the analysis of the fair value of derivatives shall be disclosed)				Gains 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 -8.3635 million.									
Explanation as to whether there has been a material change in the accounting policy and accounting measurement principles for the Company's derivatives during the Reporting Period as compared with those of the Previous Reporting Period				No									
Specific opinion of independent Directors on investment in derivatives and risk control of the Company				Due to the growing import and export business of the Company, a large amount of foreign exchange transactions are required. To avoid and prevent foreign exchange risk, we are of the view that the forward foreign exchange derivatives trading business carried out by the Company and its subsidiaries were in line with the actual development needs of the Company. When the Board reviewed this proposal, the relevant decision-making procedures were in compliance with the Company Law, the Securities Law, the Stock Listing Rules of the Shenzhen Stock Exchange and other relevant laws and regulations and the provisions in the Articles of Association of the Company. In summary, we concurred that the Company conducted foreign exchange derivatives trading business with its own funds within the limit approved by the Board.									

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VII. DISPOSAL OF MATERIAL ASSETS AND EQUITY

1. Disposal of material assets

☐ Applicable ☒ Not applicable

2. Disposal of material equity

☐ Applicable ☒ Not applicable

VIII. ANALYSIS OF MAJOR CONTROLLED AND INVESTED COMPANIES

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

☒ Applicable ☐ Not applicable

Unit: RMB

Company name	Type of company	Principal business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Subsidiary	Primarily engaged in production and sale of self-made chemical drugs, biochemical drugs, microecological preparations, biological products etc.	450,000,000.00	3,769,869,212.16	2,041,027,427.64	1,992,420,562.29	419,554,241.86	369,767,679.60
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Subsidiary	Primarily engaged in R&D, production and sale of traditional Chinese medicine, major products include Anti-viral Granules, Dexamethasone Oral Paste, etc.	149,000,000.00	1,355,361,665.86	1,091,891,506.09	259,048,011.72	62,356,187.88	54,026,772.89
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Subsidiary	Primarily engaged in production and operation of Chinese drug preparations and pharmaceutical raw materials, etc., major products include Shengqi Fuzheng Injection, Xueshuantong, etc.	61,561,014.73	706,110,206.70	287,699,300.70	197,395,611.56	47,946,403.20	40,694,930.60
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	Subsidiary	Primarily engaged in production of biochemical and polypeptide APIs, major products include biochemical APIs such as Menotropin and Chorionic Gonadotropin.	87,328,900.00	1,336,918,721.15	812,836,894.38	921,259,449.99	317,318,152.23	270,778,113.04
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Subsidiary	Primarily engaged in production and operation of chemical APIs, major products include Cefuroxime Sodium, Cefodizime Sodium, Ceftriaxone Sodium, etc.	128,280,000.00	1,209,484,237.75	483,363,845.55	530,505,931.70	147,738,230.60	125,333,216.43
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	Subsidiary	Primarily engaged in export of APIs, intermediate products and related technologies, major products include Pravastatin, Mevastatin, Salinomycin, etc.	239,887,700.00	3,322,316,178.26	1,595,196,924.14	1,048,328,295.65	290,106,948.73	211,202,906.98
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	Subsidiary	Primarily engaged in production of antibiotics APIs, intermediate and drug preparation products and chemical raw materials for pharmaceutical production, major products include Colistin Sulfate, Vancomycin, Phenylalanine, etc.	USD41,700,000	1,033,832,493.46	816,486,059.40	437,935,271.99	194,816,083.83	170,281,504.90
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	Subsidiary	Primarily engaged in production and sale of diagnostic reagents, major products include diagnostic reagent products such as Diagnostic Kit for IgM/IgG Antibody to Coronavirus (2019-nCoV) (Colloidal Gold), Diagnostic Kit for IgM Antibody to Mycoplasma Pneumonia (Colloidal Gold) and Diagnostic Kit for Antibody to Human Immunodeficiency Virus (ELISA), etc.	92,876,771.00	1,031,580,781.36	738,683,805.31	393,941,254.34	60,917,618.71	59,492,850.35
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Primarily engaged in research, development and commercialization of biopharmaceutical products.	1,453,330,000.00	936,568,080.32	361,504,263.01	3,923,797.78	-196,533,214.38	-196,537,484.36

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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

2. Subsidiaries acquired and disposed of during the Reporting Period

✓ Applicable ☐ Not applicable

Company name	Method of acquirement and disposal of the subsidiary during the Reporting Period	Effect on the general production, operation and results
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

3. Description of invested company

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. The relevant data will ultimately be subject to the Company's 2021 audit report.

IX. FORECAST OF OPERATING RESULTS FOR JANUARY TO SEPTEMBER 2021

Warnings of and reasons for projected accumulated net loss or substantial change in accumulated net profit for the period from the beginning of the year to the end of the next reporting period as compared to the same period last year

☐ Applicable ✓ Not applicable

X. STRUCTURAL BODY CONTROLLED BY THE COMPANY

☐ Applicable ✓ Not applicable

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

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

XII. OTHER SIGNIFICANT EVENTS

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XIII. PROSPECTS FOR FUTURE DEVELOPMENT

In the second half of 2021, the Group will always adhere to the mission of “prioritizing the quality of life of the patients” and the vision of “becoming a leading pharmaceutical enterprise within the industry”. Based on the unmet clinical needs, the Group will further strengthen its advantages on the innovative drug and high-barrier complex preparation platform, pay attention to cutting-edge technology, increase investment in technological and management innovations, and enhance corporate sustainable development capabilities comprehensively through digital and intelligent new technologies and new models, so as to speed up adaptation to the new trend of changing market and economic environment, as well as to perform social responsibilities actively. The Group will focus on the following aspects:

(1) Chemical drug preparation products

In respect of innovative R&D, the Group will continue to strengthen its target management and appraisal mechanism, improve R&D efficiency, accelerate the progress of projects under research. The Group will constantly pay attention to new targets and cutting-edge technologies in the field of new drug R&D around the world. In addition to strengthening its own R&D, the Group will enrich product pipelines and form clusters through external introduction, cooperative development and other ways. Meanwhile, the Group will integrate its resources and fully utilize the edges of its own APIs advantages to couple with the R&D of drug preparation products with the aim of forming an integrated industrial chain. The Group will continue to strengthen internal and external training and the introduction of senior R&D personnel to promote the overall R&D level of the team and enhance the comprehensive R&D strength of the enterprise.

In the second half of 2021, the key work deployments in marketing are as follows: (i) to facilitate the development and supply of core product categories in the key hospitals above Class II; (ii) to strengthen and refine the expansion of Ilaprazole (艾普拉唑) in the relevant department and the coverage and expansion of Fluvoxamine Maleate Tablets (馬來酸氟伏沙明片) in general hospitals; (iii) to cultivate, support, plan and expand potential products, and manufacture conventional drugs in new ways to promote the healthy development of the products; (iv) to set up Internet operation center to explore and implement new digital marketing mode with the goal of product brand building; and (v) to follow up the relevant policies of national health care reform in real time, strengthen clinical and pharmacoeconomic research of the products after launching in the market, and actively respond to the adjustment of medical insurance in 2021.

The focus in production remains to be upholding the core principles of quality and safety to ensure the effective operation of the quality system and prevent the occurrence of material quality and safety incidents. By increasing the levels of automation and intelligence in production continuously, optimizing production techniques and processes, refining management and capturing the superior advantages of the products in safety, environmental protection, quality and costs, to actualize competitiveness of the products.

(2) Biologics

In the second half of 2021, 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 focus on advancement of the R&D of Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗) (“V-01”), and endeavor to promote its overseas phase III clinical trials, so as to strive to obtain Emergency Use Authorization (“EUA”) or launch approval at home and abroad as soon as possible; secondly, to promote the application for launch of Recombinant Humanized Anti-IL-6R Monoclonal Antibody for Injection (重組人源化抗人IL-6R單克隆抗體注射液), and to carry out registration inspection and on-site verification preparation related to launch examination and approval; thirdly, to continue to promote clinical trials of core varieties such as 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), 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).

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XIII. PROSPECTS FOR FUTURE DEVELOPMENT *(Continued)*

(2) **Biologics** *(Continued)*

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

In terms of production quality establishment, the Group will continue to reinforce the establishment of quality system for therapeutic biological products and vaccine workshop of LivzonBio, focus on the production quality guarantee and vaccine supply guarantee of V-01. Meanwhile, the Group will carry out drug registration and examination, and preparation work for manufacturing on-site inspection of Recombinant Humanized Anti-IL-6R Monoclonal Antibody for Injection (重組人源化抗人IL-6R單克隆抗體注射液).

(3) **APIs and Intermediates**

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

In respect of marketing, we will continue to put more efforts to explore the market of high-end antibiotic products and strive to gain more market share. As for high-end pet products, we will continue to promote overseas registration and establish a long-term, stable and win-win cooperation model with our strategic partners. In addition, we will continue to introduce high-caliber talents, strengthen our sales team, expand our domestic sales team of pet drugs, and build a comprehensive global overseas sales platform as soon as possible.

The API business department of the Company will continue to improve product safety, environmental protection, quality standards and requirements, and keep on strengthening R&D, production quality and marketing management by focusing on promoting the R&D of polypeptide products, high-end veterinary drugs and new fermentation products, as well as the improvement of our existing products. We will further improve the overall profitability and industrial competitiveness of our APIs, and establish a high-end API industry platform with comprehensive competitiveness.

(4) **Diagnostic reagents and equipment**

In the second half of 2021, resources will be consolidated to strengthen sales marketing for various product lines, by applying resources towards achieving sales targets, focusing on the long term, adhering to the product layout concept of centering on the area of diseases, intensifying marketing promotions for new products persistently, and focusing on creating integrated solutions for the segments of autoimmune disease, common respiratory disease, reproductive maternal and child health.

On R&D, the existing technology platform with edges will be constantly refined to pursue sustainable scientific research and innovation, establish advantages in the segmental areas surrounding the platforms of multiple-liquid core diagnostic technology, chemiluminescence immunoassay and molecular diagnostic technology, while continuing to expand the upstream capability of reagents, gradually planning for raw material production, and reinforcing the standards for the manufacture of core raw materials including antigens, so as to enhance our own core competitiveness.

In terms of production, the technological standards of production process and quality control system will be enhanced persistently, existing industrialized capabilities will be further developed and the product quality standard will be enhanced, so as to maintain quality and volume to meet clinical needs and reduce medical costs.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XIV. RISKS AND RESPONSE MEASURES

1. Risk of changes in industrial policies

The pharmaceutical manufacturing industry is significantly affected by changes in industrial policies. As China has been deepening reforms of the pharmaceutical and health systems, the relevant systems of policies and regulations are further amended and improved, the measures such as the enforcement and adjustment of the medical insurance catalogue, the continuous implementation of minimum procurement commitment and the launch of DRGs and DIP may have deep and lasting impact on the future development of the pharmaceutical industry, and promulgation of various policies may have different levels of impact on the Group's R&D, production and sales. In late December 2020, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security published the 2020 Catalogue of Drugs for National Basic Medical Insurance, Work Injury Insurance and Maternity Insurance (the "National Medical Insurance Catalogue (2020)" or the "Medical Insurance Catalogue"). Through the adjustments, a total of 2,800 pharmaceutical products were included in the National Medical Insurance Catalogue (2020), including 1,426 western drugs, 1,374 Chinese patent drugs, and 892 kinds of traditional Chinese medicine decoction pieces to which no adjustment was made. On 30 June 2021, the National Healthcare Security Administration officially announced the "Work Plan for the Adjustment to 2021 National Medical Insurance Catalogue" (《2021年國家醫保藥品目錄調整工作方案》), which will enter the application phase from July. The National Medical Insurance Bureau stated: "This catalogue adjustment in smooth progress will be completed by the end of this year based on the current schedule, and strive to commence implementation in January next year, for the benefit of the insured patients as soon as possible." This adjustment also defined the key scope of drugs to be transferred from the Medical Insurance Catalogue, and made adjustment to standard drugs covered by medical insurance, which may affect the promotion and sales of corresponding drugs, and may in turn affect the production and operation of the pharmaceutical manufacturers.

Response measures: Till now, a total of 187 products of the Group are included in the National Medical Insurance Catalogue (2020), with 95 drugs in the class A list and 92 drugs in the class B list. Among the adjustments to the Catalogue during the year 2019, the Group's product Ilaprazole Enteric-Coated Tablet (艾普拉唑腸溶片) was added into the coverage of national medical insurance reimbursement for Gastroesophageal Reflux Disease (反流性食管炎), Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片) entered the regular catalogue of national medical insurance, and Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) entered the negotiation catalogue of national medical insurance. After these product varieties were included in the Medical Insurance Catalogue, the clinical value of the products was increased, and more patients would benefit from our services. The medical insurance payment standard for Ilaprazole Sodium for Injection will expire on 31 December 2021. According to the agreement, the payment standard needs to be re-determined after re-negotiation. Meanwhile, the Company is actively sorting out other varieties within the scope of adjustment involved in the "Work Plan for the Adjustment to 2021 National Medical Insurance Catalogue". Under the new situation, the Company will pay attention to unmet clinical needs, accelerate the launch of new products, improve the accessibility and availability of products, and actively strive to enter the Medical Insurance Catalogue so as to further alleviate the burden on patients.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XIV. RISKS AND RESPONSE MEASURES *(Continued)*

2. Risk of decline in the prices of products

After pharmaceutical products are approved and launched in the market, in addition to market competition, they are also affected by many factors in various aspects, including medical insurance, tenders, in particular industry policy of minimum procurement commitment, which have made pharmaceutical enterprises face pressure of price decline. (i) Minimum procurement commitment refers to the process of tender or price negotiation in centralized purchase of drugs where the exact quantity to be purchased shall be specified, so that bidding price for specific amounts of drugs may be provided by enterprises. 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. Among the 162 drugs that entered into negotiations with the National Healthcare Security Administration in 2020, 119 drugs were successfully negotiated with a success rate of 73.46%. The drugs which were successfully negotiated experienced a decline in price by 50.64% on average.

Response measures: (i) For minimum procurement commitment, since most of the potential enterprises are willing to lower their prices in exchange for more quantity, therefore the price of drugs of the winning bidders may decrease significantly. However, since a certain procurement volume shall be specified to facilitate arrangements for production and sales, the unit production cost of drugs will be lowered through economies of scale, and less cross-regional marketing promotions will save selling expenses for enterprises. Therefore, if larger sales volume is awarded, the impact of lower price may be offset, which will have significant implications on strengthening the market position of the enterprise in the industry. Hospital is one of the major customers of the Company, the Company will pay close attention to the developments of the policy of minimum procurement commitment. 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 made to the Medical Insurance Catalogue, as Ilaprazole Sodium for Injection (注射用艾普拉唑鈉), the patented new drug developed by the Company, is admitted to the 2019 National Medical Insurance Catalogue, its price drops from RMB256 per unit to RMB156 per unit, and nearly half of the therapeutic costs are saved when compared with the originally developed similar proton pump inhibitors (PPI). The medical insurance payment standard for Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) will expire on 31 December 2021. According to the agreement, the payment standard needs to be re-determined after re-negotiation. The possibility of further price reductions cannot be ruled out. Despite price reduction, the hospital coverage of this product included in the Medical Insurance Catalogue is expected to continue to increase. In addition, the Company continued to carry out real-world research, evidence-based medicine and pharmacoeconomics research after the product was launched, and accumulated more comprehensive and objective evaluation data in active response to this medical insurance catalog negotiation. The Company will also continue to innovate, research and develop innovative drugs and complex drug preparations with high barriers and generic drug varieties required urgently in clinical application and with a certain amount of high added-value. Deeper exploration will be made on existing products under production with market potential and technical barriers. Reassessment of key drugs after their market launch and consistency evaluation of the relevant drugs will be promoted actively. Composition of product portfolios will be continuously optimized, while active efforts will be made to explore and expand into the overseas markets.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XIV. RISKS AND RESPONSE MEASURES *(Continued)*

3. Risk of R&D for new drugs

In general, pharmaceutical products (including vaccines) are required to go through many processes and stages from R&D to market launch, including pre-clinical research, application for clinical registration, approval for clinical trials, clinical trials, filing for production registration, on-site inspection, and approval for production, with a long cycle involving many segments, and the R&D result is subject to uncertainty, hence risk of R&D exists. Also, after the product is successfully researched and produced, the scale of market sales may also be affected by numerous factors. On 30 March 2020, the State Administration for Market Regulation announced that the Administration Measures for Drug Registration (《藥品註冊管理辦法》) 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.

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XIV. RISKS AND RESPONSE MEASURES *(Continued)*

4. Effect of the normalization of COVID-19 pandemic

The outbreak of COVID-19 at the beginning of 2020 affected the operation of the overall economy. During the aggravation of the pandemic, as efforts of medical professionals were more focused on frontline work to prevent and control the pandemic, the consultation rate of patients with other diseases had declined and the standard prescriptions issued by hospitals had 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 30 June 2021, 31 provinces (including autonomous regions and municipalities) and the Xinjiang Production and Construction Corps throughout the country have reported that a total of 1,244.675 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. At the beginning of 2021, the recombinant new coronavirus fusion protein vaccine developed by LivzonBio was approved by the National Medical Products Administration for clinical trial permission. In general, the Company during the Reporting Period was under normal operation, and the overall impact of the COVID-19 pandemic on its business was relatively slight. The extent of its subsequent impact will depend on the prevention and control of the pandemic on a global scale, the time of continuation, the prevention and control of the pandemic, and the responsive measures of enterprises. The Company will continue to pay attention to the development of the pandemic and any possible impact on the financial conditions and operating results of the Company, while adopting various measures at the same time to mitigate the adverse effect of the pandemic on corporate operations, to ensure that the production and operation activities are performed in a steady and orderly manner. Such measures include enhancing the operational management standard, controlling various types of operational risks, and promoting innovation and synergy. Facing the new changes in the global market layout brought by the COVID-19 pandemic, the Company will reinforce our export advantages in special APIs, establish an internet operation center to enhance the online promotions of some drug preparation products. Meanwhile, we will speed up the overseas clinical progress of COVID-19 vaccines, give full play to the global supply of the COVID-19 vaccines, and actively perform social responsibilities.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XIV. RISKS AND RESPONSE MEASURES *(Continued)*

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

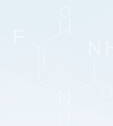
Raw materials such as Chinese herbs, active pharmaceutical ingredients, supplementary materials, and packaging materials have been affected by a number of factors including macroeconomic factors, monetary policy, environmental protection management, natural disasters, etc. Instances of limited supply 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 (抗病毒顆粒), the impact on the cost of Antiviral Granules (抗病毒顆粒) is under control since the Group has made strategic reserves of such raw materials and directly purchased such raw materials from suppliers of GAP bases. In addition, prices of raw materials for the Group's API segment has certain fluctuations as a result of the impact of COVID-19 pandemic and trading policies. However, with its strategic reserve procurement and futures hedging activities, the Company was able to control the cost of raw and auxiliary materials and coupled with the sufficient inventory of those raw and auxiliary materials necessary for our production during the Spring Festival, our production operation was not affected much by the COVID-19 pandemic.

6. Risk of environmental protection

During the production of APIs, a certain amount of waste water, waste gases and waste residue may be produced. As national and local environmental protection authorities step up their efforts in the supervision and control of environmental protection and increasing social awareness on environmental protection, the requirements on production enterprises of APIs on environmental protection are becoming more stringent, and expenses of environmental protection have been increasing. Some pharmaceutical enterprises are even faced with the troubles of production suspension and restricted production.

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



SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XV. 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.

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”), 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 the disclosure date of the Report, the Company has not begun to repurchase H Shares under the Second H Share Repurchase Mandate.

Save as disclosed above, throughout the period from 1 January 2021 to 30 June 2021, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the listed securities of the Company.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVI. NON-PUBLIC ISSUANCE OF A SHARES

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

The Issuance was completed as approved by the CSRC on 19 September 2016. The number of shares under the Issuance was 29,098,203 A Shares. The gross proceeds from the Issuance amounted to RMB1,457,819,970.30, and after deducting issuance expenses of RMB37,519,603.53, 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 indepth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)" and the major investment plan of increased capital injections in Livzon MAB for the construction of "Project for research & development and industrialization of therapeutic antibody-based drugs (治療用抗體藥物研發與產業化建設項目)" (the "Adjustments"). The Adjustments were made by the Company on the basis of the actual progress of the projects invested with the proceeds. Adjustments were made only to the plans for use of proceeds in each of the subsequent years of the relevant projects invested with the proceeds and the industrialization investment construction period of projects invested with the proceeds, without changing the investment directions with the proceeds. The Adjustments were considered and approved at the 2016 annual general meeting of the Company on 23 June 2017.

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

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.

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

Historical events *(Continued)*

On 25 August 2020, the Company convened the third meeting of the tenth session of the Board to consider and approve the Resolution on Alteration to the Implementing Body for Certain Projects Invested with Proceeds and Increasing Capital to a Wholly-owned Subsidiary (《關於變更部分募集資金投資項目實施主體暨向全資子公司增資的議案》) and agreed to (i) alter the implementing body of the Prolonged-action Microsphere Project from the Company and Pharmaceutical Factory, a wholly-owned subsidiary of the Company, to the Company and Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司) ("Microsphere Technology", a wholly-owned subsidiary of the Company). After the change, the sub-projects of "Construction project for microsphere workshop" and "Construction of implants workshop" will be implemented by Microsphere Technology; (ii) inject capital increase of RMB208.79211 million in cash to Microsphere Technology by the Company with its own funds and inject capital increase of RMB139.19474 million to Microsphere Technology by Pharmaceutical Factory in the form of its own production assets related to microsphere preparations (including fixed assets formed by using the proceeds) which have been evaluated by a qualified evaluation agency, resulting in a total of capital increase of RMB347.98685 million to Microsphere Technology by these two parties. After completion of such capital increase, the registered capital of Microsphere Technology will be RMB353.48685 million; and (iii) adjust the organizational structure, platform cooperation and staffing of business of the prolonged-action sustained-release microsphere preparation. Such alteration did not result in a substantive change in the total investment, implementation location and construction content of the Prolonged-action Microsphere Project. The total investment is still RMB411.4133 million. The Prolonged-action Microsphere Project will be jointly implemented by the Company and Microsphere Technology.

On 16 November 2020, the Company convened the fifth meeting of the tenth session of the Board to consider and approve the Resolution on Adjustment to the Implementation Site and Investment Plan of a Sub-project under Certain Project Invested with Proceeds (《關於調整部分募集資金投資項目子項目實施地點及投資計劃的議案》), and agreed to adjust the implementation site and investment plan of "Construction of the chemical drug lyophilized power injection workshop (化藥凍乾粉針車間建設)" (the "Sub-project"), a sub-project under the Ilaprazole Project. The construction period shall remain two years, and the 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 of 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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES

1. The 2018 Share Options Incentive Scheme

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

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

Purpose of the scheme

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

Incentive participants, maximum entitlement, validity period of the scheme

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

Vesting period, exercise period and exercise date

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(Continued)*

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

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

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

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

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

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

Basis for determining exercise price

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

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(Continued)*

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

Basis for determining exercise price *(Continued)*

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

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

Fair value and accounting policies of the share options

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

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

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

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

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

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

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%).

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(Continued)*

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

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

(1) Fair value *(Continued)*

(i) First Grant *(Continued)*

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

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

(ii) Reserved Grant

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

Parameters	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%).

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(Continued)*

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

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

(1) Fair value *(Continued)*

(ii) Reserved Grant *(Continued)*

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

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

(2) Accounting policies

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

Revision of the scheme

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

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(Continued)*

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

First Grant

- (1) On 11 September 2018, the Company convened the nineteenth meeting of the ninth session of the Board to consider and approve:
 - (i) the adjustment to the list of incentive participants and number of share options under the First Grant of the 2018 Share Options Incentive Scheme (Revised): the adjustment to the number of incentive participants under the First Grant from 1,116 to 1,050 and the adjustment to the number of share options under the First Grant from 17,550,000 to 17,475,500. Incentive participants under the First Grant included the Directors and the President of the Company and their close associates;
 - (ii) with 11 September 2018 as the date of the First Grant, granting 17,475,500 share options to 1,050 incentive participants (incentive participants were not required to pay any consideration to the Company when accepting the share options) with the exercise price of RMB47.01 per A Share. Registration of the First Grant was completed on 28 September 2018. The abbreviation of the share options: Livzon JLC1. The code of the share options: 037067.
- (2) On 28 August 2019, the Company convened the thirty-first meeting of the ninth session of the Board, which considered and approved the adjustment to the exercise price of share options under the First Grant from RMB47.01 per A Share to RMB36.16 per A Share and the adjustment to the number of share options granted under the First Grant from 17.4755 million to 22.71815 million, given that the Company had completed the issuance of 3 bonus shares for every 10 shares to shareholders by conversion of capital reserve into share capital on 26 July 2019.
- (3) On 18 September 2019, the Company convened the thirty-second meeting of the ninth session of the Board to consider and approve:
 - (i) the cancellation of 254,995 share options held by 17 incentive participants which have been granted but not yet exercised (the cancellation was completed on 16 October 2019, and the exercise price of the cancelled share options was RMB36.16 per A share), since such 17 incentive participants under the First Grant have resigned due to personal reasons and thus did not meet the incentive criteria. After the cancellation, the number of incentive participants under the First Grant was adjusted from 1,050 to 1,033, and the number of share options under the First Grant was adjusted from 22,718,150 to 22,463,155;
 - (ii) that the 1,033 incentive participants who have met the exercise conditions may exercise 8,985,262 share options in the first exercise period at an exercise price of RMB36.16 per A Share, given that the exercise conditions for the first exercise period under the First Grant have been fulfilled.
- (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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES (Continued)

1. The 2018 Share Options Incentive Scheme (Continued)

First Grant (Continued)

- (5) On 23 October 2020, the Company convened the fourth meeting of the tenth session of the Board to consider and approve:
- (i) since the first exercise period under the First Grant has expired on 27 September 2020, as at the expiry date, there were a total of 162,912 share options held by 55 incentive participants have not been exercised in the first exercise period under the First Grant, that the said 162,912 share options should be cancelled; since 129 incentive participants under the First Grant no longer satisfied the incentive conditions due to resignation on personal reasons, that the 1,535,765 share options held by the said 129 incentive participants which were granted but no longer satisfied the exercise conditions should be cancelled (the aforesaid cancellation was completed on 2 November 2020, the exercise price of such cancelled shares options was RMB36.16 per A Share). After the cancellation, the number of share options under the First Grant was adjusted from 22,463,155 to 20,764,478, and the number of incentive participants under the First Grant was adjusted from 1,033 to 904;
- (ii) that 904 incentive participants who have met the exercise conditions may exercise 5,970,557 share options in the second exercise period at the exercise price of RMB36.16 per A Share, given that the exercise conditions for the second exercise period of the First Grant have been fulfilled.
- (6) On 9 November 2020, after examination by Shenzhen Stock Exchange and CSDCC, the exercise period of share options of the second exercise period under the First Grant was from 11 November 2020 to 27 September 2021. The incentive participants must exercise during the exercise period, the granted but outstanding share options shall not be exercised after the expiry of the exercise period. The exercisable share options shall be exercised by incentive participants on voluntary basis.

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

Incentive participant	Position	Number of share options held as at 1 January 2021 (0'000 share options) ⁽¹⁾⁽²⁾	Number of share options exercised during the Period (0'000 share options)	Number of share options held as at 30 June 2021 (0'000 share options)	Number of share options cancelled during the Period (0'000 share options)	Number of share options lapsed during the Period (0'000 share options)
Mr. Tang Yanggang	Executive Director and President	6.0840	–	6.0840	–	–
Mr. Tao Desheng	Vice Chairman and Non-Executive Director	15.2100	–	15.2100	–	–
Mr. Xu Guoxiang ⁽³⁾	Vice Chairman, Executive Director and Vice President	15.2100	7.6050	7.6050	–	–
Mr. Yang Daihong	Vice President	12.1680	–	12.1680	–	–
Ms. Si Yanxia	Vice President, 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	–	7.0980	–	–
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	–	6.0840	–	–
Mid-level management and relevant core personnel of the Company (1,023 persons)		1,015.7588	316.3425	699.4163	–	–

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(Continued)*

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

First Grant *(Continued)*

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. 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.
- (4) During the Reporting Period, except for Mr. Xu Guoxiang, the weighted average closing price of the A Share of the Company for all other incentive participants in aggregate immediately preceding the exercise date under the First Grant was RMB45.78 per share.

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 reserve into share capital on 26 July 2019;
 - (ii) With 28 August 2019 as the grant date of the Reserved Grant, granting 145 incentive participants a total of 2.535 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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(Continued)*

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

Reserved Grant *(Continued)*

- (4) On 23 October 2020, the Company convened the fourth meeting of the tenth session of the Board to consider and approve:
- (i) Since 10 incentive participants under the Reserved Grant no longer satisfied the incentive conditions due to resignation on personal reasons, that the 309,900 share options held by the said 10 incentive participants which were granted but no longer satisfied the exercise conditions should be cancelled (the aforesaid cancellation was completed on 2 November 2020, the exercise price of such cancelled shares options was RMB28.87 per A Share). After the cancellation, the number of share options under the Reserved Grant was adjusted from 2,524,500 share options to 2,214,600 share options, and the number of incentive participants under the Reserved Grant was adjusted from 167 to 157.
- (ii) That 157 incentive participants who have met the exercise conditions may exercise 1,107,300 share options in the first exercise period at the exercise price of RMB28.87 per A Share, given that the exercise conditions for the first exercise period of the Reserved Grant have been fulfilled.
- (5) On 9 November 2020, after examination by the Shenzhen Stock Exchange and CSDCC, the exercise period of the share options of the first exercise period under the Reserved Grant was from 12 November 2020 to 27 October 2021. The incentive participants must exercise during the exercise period, the granted but outstanding share options shall not be exercised after the expiry of the exercise period. The exercisable share options shall be exercised by incentive participants on voluntary basis.

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 (0'000 share options) ⁽¹⁾⁽²⁾	Number of share options exercised during the Period (0'000 share options)	Number of share options held as at 30 June 2021 (0'000 share options)	Number of share options cancelled during the Period (0'000 share options)	Number of share options lapsed during the Period (0'000 share options)
Mid-level management and core personnel of the Company (157 persons)	183.1099	47.7626	135.3473	–	–

Notes:

- (1) The grant date of the aforesaid share options was 28 August 2019, and the exercise price was RMB28.87 per share. For details of the validity period and exercise period of the aforesaid share options, please refer to the relevant contents in "Incentive participants, maximum entitlement, validity period of the scheme" and "Vesting period, exercise period and exercise date" as set out above.
- (2) On 27 August 2019 (one day before the grant date), the closing price of A Shares of the Company was RMB29.39 per share.
- (3) During the Reporting Period, the weighted average closing price of the A Share of the Company for all incentive participants in aggregate immediately preceding the exercise date under the Reserved Grant was RMB44.70 per share.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(Continued)*

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

As at the End of the Reporting Period, the total number of ordinary A Shares of the Company that may be issued under the 2018 Share Options Incentive Scheme (Revised) was 18,087,656 shares, including 16,734,183 share options under the First Grant and 1,353,473 share options under the Reserved Grant, which in aggregate represented 1.93% of the total issued share capital of the Company as at the End of the Period.

As at 30 June 2021, save as disclosed above, all share options granted under the First Grant and the Reserved Grant have not been exercised, cancelled or lapsed.

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 core R&D 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 authorise 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 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 (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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(Continued)*

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

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.

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 the 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;

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVII.SHARE OPTIONS INCENTIVE SCHEMES *(Continued)*

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

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

- (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.

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 the 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 "XII. CONNECTED TRANSACTIONS DEFINED PURSUANT TO THE HONG KONG LISTING RULES" in the Section V of the Report for details of the reorganization), after consideration and approval by the general meeting of the Company, the aforesaid Subsidiary Share Option Scheme was terminated upon the completion of subscription (i.e. 15 January 2021) from the employee incentive platform of LivzonBio.

XVIII.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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

(Continued)

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

On 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 optimise the compensation structure of the Company, promote the long-term stable development of the Company and enhance the overall value of the Company.

Participation principles and target participants

The 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.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

(Continued)

Source of funds

Funds for participation of the Company's employees in the 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%
$X \leq 15\%$	0
$15\% < X \leq 20\%$	25%
$20\% < X$	35%

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

(Continued)

Duration and Lock-up period

The duration of the 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 centralised manner. Where there is distributable income after the lock-up period of the First Phase Ownership Scheme expires, the Management Committee shall allocate the distributable income. The Management Committee shall, after deducting relevant taxes and fees according to law, allocate the aforementioned distributable income according to the number of shares that are held by the Holders.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

On 20 November 2020, the proposed spin-off was considered and approved at the 2020 fourth extraordinary general meeting of the Company. Livzon Diagnostics completed the filing for registration of tutoring at the Guangdong CSRC Bureau in November 2020 and had submitted the interim reports on the filing for tutoring in February 2021, May 2021 and August 2021, respectively. Save as disclosed herein, as at the disclosure date of the Report, Livzon Diagnostics has not submitted any other application or filing to the Shenzhen Stock Exchange and the relevant regulatory authorities of the PRC.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

As at the disclosure date of the Report, the Board of the Company is comprised of eleven Directors, including two executive Directors, four non-executive Directors and five independent non-executive Directors.

Executive Directors

Mr. Tang Yanggang (唐陽剛先生) (President)

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

Non-executive Directors

Mr. Zhu Baoguo (朱保國先生) (Chairman)

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

Mr. Qiu Qingfeng (邱慶豐先生)

Mr. Yu Xiong (俞雄先生)

Independent Non-executive Directors

Mr. Bai Hua (白華先生)

Mr. Tian Qiusheng (田秋生先生)

Mr. Wong Kam Wa (黃錦華先生)

Mr. Luo Huiyuan (羅會遠先生) (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 is comprised of three Supervisors. As at the disclosure date of the Report, the Supervisors of the Company are as follows:

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

Mr. Huang Huamin (黃華敏先生)

Mr. Tang Yin (湯胤先生)

SECTION IV CORPORATE GOVERNANCE

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

1. General Meetings during the Reporting Period

Meeting sessions	Type of meeting	Participation percentage of investors	Date of meeting	Disclosure date	Disclosure index of meeting resolutions
2021 First Extraordinary General Meeting	Extraordinary General Meeting	11.5648%	8 January 2021	9 January 2021	Announcement on Resolutions of the 2021 First Extraordinary General Meeting (Announcement No.: 2021-004), published on the website of Cninfo (www.cninfo.com.cn)
2021 Second Extraordinary General Meeting	Extraordinary General Meeting	53.8320%	6 May 2021	7 May 2021	Announcement on Resolutions of the 2021 Second Extraordinary General Meeting (Announcement No.: 2021-041), published on the website of Cninfo (www.cninfo.com.cn)
2020 Annual General Meeting	Annual General Meeting	53.0581%	20 May 2021	21 May 2021	Announcement on Resolutions of the 2020 Annual General Meeting, the 2021 First Class Meeting of A Shareholders and the 2021 First Class Meeting of H Shareholders (Announcement No.: 2021-048), published on the website of Cninfo (www.cninfo.com.cn)
2021 First Class Meeting of A Shareholders	Class Meeting	45.0738%			
2021 First Class Meeting of H Shareholders	Class Meeting	69.2824%			

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

☐ Applicable ☒ Not applicable

SECTION IV CORPORATE GOVERNANCE

II. CORPORATE GOVERNANCE

1. Overview

During the Reporting Period, the Company constantly enhanced the corporate governance structure and strengthened the internal control systems of the Company strictly in accordance with the Company Law, the Securities Law, the Guidelines for Corporate Governance of Listed Companies, the Shenzhen Listing Rules, the Guidelines for Standardised Operation of Companies Listed on the Main Board of the Shenzhen Stock Exchange, and other requirements of normative documents relating to the governance of listed companies announced by the CSRC, the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, to achieve higher corporate governance standards.

The Board believes that the actual conditions of corporate governance of the Company are in compliance with the rules and requirements of normative documents including the Guidelines for Corporate Governance of Listed Companies without deviation. During the Reporting Period, the decision-making and supervisory organs of the Company, including the general meetings, the Board and the Supervisory Committee, have all carried out management, decision-making and supervision strictly pursuant to the requirements of normative operation rules and internal control, with standardized and effective operation. The special committees of the Board have all performed their corresponding duties.

2. Compliance with the Corporate Governance Code

The Company confirmed that during the period from 1 January 2021 to 30 June 2021, the Company has strictly complied with the principles and the code provisions (the "Code Provisions") in the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules, except for the following deviation:

According to E.1.2 of the Code Provisions, the chairman of the Board shall attend annual general meetings. Mr. Zhu Baoguo, the chairman of the Board, did not attend the 2020 Annual General Meeting of the Company due to urgent business trip.

3. Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 of the Hong Kong Listing Rules as its own Model Code regarding the securities transactions in the H Shares of the Company by the Company's Directors, Supervisors and the "Relevant Employees" as defined in the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules. After making due and specific enquiries to all of the Directors and Supervisors of the Company, the Company was not aware of any information which has reasonably revealed that each of the Directors and Supervisors has not complied with the standards required by the above-mentioned code regarding securities transactions during the period from 1 January 2021 to 30 June 2021. All Directors and Supervisors have confirmed that they have complied with the standards as set out in the above-mentioned code during the period from 1 January 2021 to 30 June 2021. The Company has also made specific enquiries to all relevant employees in respect of compliance with the standards set out in the above-mentioned code by the employees, and noted that there has been no incident of non-compliance with the standards as set out in the above-mentioned code.

4. Special Committees of the Board

Pursuant to the Corporate Governance Code, three committees are set up under the Board, namely the Audit Committee, the Remuneration and Assessment Committee, and the Nomination Committee, so as to oversee specific scopes concerning the state of affairs of the Company. Each of the Board committees has specific term of reference in writing. The written term of reference for each of the Board committees are published on websites of the Hong Kong Stock Exchange and the Company. Apart from the requirements under the Hong Kong Listing Rules and the Corporate Governance Code, the Company has also established (i) the Strategy Committee in order to monitor the Company's long-term development strategic plan, conduct research and give recommendations thereon; and (ii) the Environmental, Social and Governance ("ESG") Committee (the "ESG Committee") in order to promote the development and implementation of ESG affairs of the Group.

SECTION IV CORPORATE GOVERNANCE

II. CORPORATE GOVERNANCE *(Continued)*

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

Audit Committee

The Audit Committee under the tenth session of the Board is comprised of three independent non-executive Directors of the Company. The chairman of the committee is Mr. Bai Hua and other committee members are Mr. Luo Huiyuan and Mr. Tian Qiusheng. Mr. Bai Hua possesses appropriate accounting and financial management expertise as required under Rule 3.10 of the Hong Kong Listing Rules. The key responsibilities of the Audit Committee are to review the Company's financial reports; review the Company's financial control system, risk management system and internal control system; study the Company's relationships with external auditors and consider the annual audit plans submitted by external auditors; and review the arrangement in the Company for submission of reports in confidence by relevant employees of the Company in relation to concern of possible improprieties in financial reporting, internal control or other aspects.

The Audit Committee has reviewed the Group's unaudited interim results and interim report for the six months ended 30 June 2021 and agreed to submit the same to the Board for consideration.

Remuneration and Assessment Committee

The Remuneration and Assessment Committee under the tenth session of the Board is comprised of three Directors. The chairman of the committee is Mr. Tian Qiusheng (independent non-executive Director) and other committee members are Mr. Tao Desheng (non-executive Director) and Mr. Bai Hua (independent non-executive Director), the member composition is in compliance with the requirements under Rule 3.25 of the Hong Kong Listing Rules. The key responsibilities of the Remuneration and Assessment Committee are to assess, review and give advice to/advise the Board on the remuneration packages for the chairman of the Board, executive Directors and senior management of the Company, and to make recommendations to the Board on the policy and structure for all Directors' and senior management's remuneration and the establishment of a formal and transparent procedure for developing remuneration policy, so as to ensure that any Director or any of their associates shall not be involved in fixing their remuneration and related matters.

Nomination Committee

The Nomination Committee under the tenth session of the Board is comprised of three Directors. The chairman of the committee is Mr. Luo Huiyuan (independent non-executive Director) and other committee members are Mr. Tian Qiusheng (independent non-executive Director) and Mr. Tao Desheng (non-executive Director). The member composition is in compliance with the requirements under code provision A.5.1 of the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules. The key responsibilities of the Nomination Committee are to review the structure, number of members and composition of the Board (in respect of various areas including gender, ages, cultural and educational background, skills, knowledges and experiences); 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.

SECTION IV CORPORATE GOVERNANCE

II. CORPORATE GOVERNANCE *(Continued)*

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

Strategy Committee

The Strategy Committee under the tenth session of the Board is comprised of three Directors. The chairman of the committee is Mr. Zhu Baoguo (non-executive Director) and other committee members are Mr. Tao Desheng (non-executive Director) and Mr. Tang Yanggang (executive Director). The key responsibilities of the Strategy Committee are to conduct research on the Company's long-term development strategies and major investment decisions, and to give recommendations thereon.

Environmental, Social and Governance Committee

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

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

✓ Applicable ☐ Not applicable

Name	Position	Type	Date	Reason
Mr. Luo Huiyuan (羅會遠先生)	Independent Non-executive Director, members of 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 (崔麗婕女士)	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.
Mr. Zheng Zhihua (鄭志華先生)	Independent Non-executive Director, members of committees of the Board	Retired due to the expiration of terms 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.

SECTION IV CORPORATE GOVERNANCE

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY *(Continued)*

Name	Position	Type	Date	Reason
Mr. Xie Yun (謝耘先生)	Independent Non-executive Director, members of committees of the Board	Retired due to the expiration of terms 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 and the chairman of the nomination committee of the Company following his retirement.
Mr. Tian Qiusheng (田秋生先生)	Members of 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.

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

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

Mr. Bai Hua 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 November 2018 and an independent director of Skyworth Digital Co., Ltd. (創維數字股份有限公司) (000810.SZ) since April 2021.

Mr. Xu Guoxiang 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.

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

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

SECTION V MAJOR EVENTS

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

☐ Applicable ☒ Not applicable

II. LITIGATION MATTERS

Material litigation and arbitration matters

☐ Applicable ☒ Not applicable

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

Other litigation matters

☒ Applicable ☐ Not applicable

As at the End of the Reporting Period, other litigation cases of the Company that have not reached the standard for disclosure as material litigations involve a total amount of RMB12.5784 million.

III. QUESTIONING FROM MEDIA

☐ Applicable ☒ Not applicable

During the Reporting Period, the Company did not receive any general queries from the media.

IV. MATTERS RELATED TO BANKRUPTCY REORGANISATION

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

SECTION V MAJOR EVENTS

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

☒ Applicable ☐ Not applicable

During the Reporting Period, the scope of consolidated financial statements of the Company increased by two controlling subsidiaries and decreased by two controlling subsidiaries, with details 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.

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.

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.

VII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

The 2020 Annual General Meeting of the Company considered and approved the re-appointment of Grant Thornton (Special General Partnership) as the auditor of the Company for the year 2021.

Whether the interim financial report has been audited

☐ Yes ☒ No

The interim report of the Company has not been audited.

VIII. PUNISHMENT AND RECTIFICATION

☐ Applicable ☒ Not applicable

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

IX. DISCLOSURE OF RISKS OF LAW-VIOLATION, NON-COMPLIANCE AND DELISTING

☐ Applicable ☒ Not applicable

During the Reporting Period, the Company was not exposed to the risks of law-violation, non-compliance and delisting.

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

☐ Applicable ☒ Not applicable

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

SECTION V MAJOR EVENTS

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

1. Connected Transactions in the Ordinary Course of Business

✓ Applicable ☐ Not applicable

Connected Party	Relationship with connected party	Type of connected transaction	Description of connected transaction	Pricing principle of connected transaction	Amount of connected transaction (RMB'000)	Proportion to transaction amount of the same category	Whether the approved amount is exceeded	Settlement method of connected transaction
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Purchase of raw materials	Determined by negotiation based on market price	1,559.79	1.29%	No	Settled through banks
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 goods	Purchase of raw materials	Determined by negotiation based on market price	9,844.87	8.15%	No	Settled through banks
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Purchase of raw materials	Determined by negotiation based on market price	1,144.60	0.95%	No	Settled through banks
Jincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Purchase of goods	Purchase of finished products	Determined by negotiation based on market price	9.71	0.01%	No	Settled through banks
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	A company in which Directors of the Company hold directorships	Purchase of goods	Purchase of raw materials	Determined by negotiation based on market price	312.23	0.26%	No	Settled through banks
Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司) and its subsidiaries	Subsidiaries of a company in which a Director of the Company holds a directorship	Purchase of goods	Purchase of finished products	Determined by negotiation based on market price	1.22	0.00%	No	Settled through banks
Jiaozuo Jincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Water, electricity and power, etc.	Determined by negotiation based on market price	993.55	6.88%	No	Settled through banks
L&L Biopharma, Co. Ltd. (上海健信生物醫藥科技有限公司)	A company in which a senior management of the Company held a directorship	Receipt of services	Receipt of R&D services	Determined by negotiation based on market price	18.87	0.13%	No	Settled through banks
Shenzhen City Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	A company in which a Director of the Company holds a directorship	Receipt of services	Training	Determined by negotiation based on market price	14.17	0.10%	No	Settled through banks
Jincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Sale of finished products	Determined by negotiation based on market price	114.69	0.02%	No	Settled through banks
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Sale of finished products	Determined by negotiation based on market price	88.37	0.01%	No	Settled through banks
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Sale of finished products	Determined by negotiation based on market price	112.43	0.02%	No	Settled through banks
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	A company in which Directors of the Company hold directorships	Sale of goods	Sale of finished products	Determined by negotiation based on market price	2,704.23	0.44%	No	Settled through banks

SECTION V MAJOR EVENTS

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

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

Connected Party	Relationship with connected party	Type of connected transaction	Description of connected transaction	Pricing principle of connected transaction	Amount of connected transaction (RMB'000)	Proportion to transaction amount of the same category	Whether the approved amount is exceeded	Settlement method of connected transaction
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	A company in which a Director of the Company holds a directorship	Sale of goods	Sale of finished products	Determined by negotiation based on market price	3.47	0.00%	No	Settled through banks
Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司) and its subsidiaries	Subsidiaries of a company in which a Director of the Company holds a directorship	Sale of goods	Sale of finished products	Determined by negotiation based on market price	269.76	0.04%	No	Settled through banks
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Provision of services	Processing fees, testing	Determined by negotiation based on market price	16.17	3.46%	No	Settled through banks
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Provision of services	Processing fees	Determined by negotiation based on market price	54.03	11.55%	No	Settled through banks
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	A company in which Directors of the Company hold directorships	Provision of services	Water, electricity and power	Determined by negotiation based on market price	347.18	74.19%	No	Settled through banks
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	A company in which a Director and a senior management of the Company hold directorships	Provision of services	Water, electricity and power	Determined by negotiation based on market price	29.20	6.24%	No	Settled through banks
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	A company in which a Director of the Company holds a directorship	Provision of services	Water, electricity and power, property services	Determined by negotiation based on market price	16.52	3.53%	No	Settled through banks
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	A company in which a Director and a senior management of the Company hold directorships	Leasing of assets as a lessor	Leasing of offices	Determined by negotiation based on market price	111.31	43.74%	No	Settled through banks
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	A company in which a Director of the Company holds a directorship	Leasing of assets as a lessor	Leasing of offices	Determined by negotiation based on market price	12.00	4.72%	No	Settled through banks
Health Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	Leasing of offices	Determined by negotiation based on market price	4.58	1.80%	No	Settled through banks
Joincare (Guangdong) Special Medicine Food 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	Leasing of offices	Determined by negotiation based on market price	18.98	7.46%	No	Settled through banks

SECTION V MAJOR EVENTS

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

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

Connected Party	Relationship with connected party	Type of connected transaction	Description of connected transaction	Pricing principle of connected transaction	Amount of connected transaction (RMB'000)	Proportion to transaction amount of the same category	Whether the approved amount is exceeded	Settlement method of connected transaction
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Leasing of assets as a lessee	Leasing of offices	Determined by negotiation based on market price	38.98	4.00%	No	Settled through banks
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessee	Leasing of offices and equipment	Determined by negotiation based on market price	132.17	13.55%	No	Settled through banks
Total					17,973.08	-	-	-
Details of return of sales in large amount		Not applicable						
Estimated total amount of connected transactions in the ordinary course of business during the current period by type and actual performance during the Reporting Period (if any)		<p>During the Reporting Period, the total amount of connected transactions conducted by the Company in the ordinary course of business was RMB179.7308 million. Among which, the connected transactions conducted in the ordinary course of business with Joincare, the controlling shareholder, and its subsidiaries amounted to approximately RMB141.3292 million, representing 23.17% of the projected amount (RMB609.9957 million) approved by the general meeting of the Company and the Board; the connected transactions conducted in the ordinary course of business with Blue Treasure Pharma amounted to approximately RMB33.6364 million, representing 40.56% of the projected amount (RMB82.9208 million) approved by the Board of the Company; the connected transactions conducted in the ordinary course of business with Sanmed Biotech amounted to RMB1.4051 million, representing 49.72% of the projected amount (RMB2.8263 million) approved by the Board of the Company; the connected transactions conducted in the ordinary course of business with Sanmed Gene amounted to RMB0.3199 million, representing 27.33% of the projected amount (RMB1.1706 million) approved by the Board of the Company; the connected 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 RMB0.1887 million, representing 2.50% of the projected amount (RMB7.5472 million) approved by the Board of the Company; the connected transactions conducted in the ordinary course of business with Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司) and its subsidiaries in aggregate amounted to RMB2.7098 million, representing 54.20% of the projected amount (RMB5.00 million) approved by the operating management of the Company; and the connected transactions conducted in the ordinary course of business with Shenzhen City Youbao Technology Co., Ltd. (深圳市有寶科技有限公司) amounted to RMB0.1417 million, representing 47.23% of the projected amount (RMB0.3000 million) approved by the operating management of the Company. The above connected transactions have not exceeded the projected amount approved.</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 Connected Transactions for Three Years from 2020 to 2022 between Livzon Pharmaceutical Group Inc. and Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司) (Announcement No.: 2019-052), Announcement on Resolutions of 2019 Third Extraordinary General Meeting of Livzon Pharmaceutical Group Inc. (Announcement No.: 2019-073) and Announcement on Performance of Daily Connected Transactions for 2020 and Projected Daily Connected Transactions for 2021 of Livzon Pharmaceutical Group Inc. (Announcement No.: 2021-020) dated 17 August 2019, 16 October 2019 and 23 March 2021, respectively.

SECTION V MAJOR EVENTS

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

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

☐ Applicable ☒ Not applicable

3. Connected Transactions on Joint External Investment

☒ Applicable ☐ Not applicable

Joint investor	Connected relationship	Name of the invested enterprise	Principal business of the invested enterprise	Registered capital of the invested enterprise (RMB0'000)	Total assets of the invested enterprise (RMB0'000)	Net assets of the invested enterprise (RMB0'000)	Net profit of the invested enterprise (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責任公司)	Technological services, technological development and related business within the scope of pharmaceutical technology.	300.00	473.57	173.51	-6.49
Progress of the material project under construction (if any) of the invested enterprise		N/A					

4. Credits and Debts with Connected Persons

☒ Applicable ☐ Not applicable

Non-operating credits and debts with connected persons

☐ Yes ☒ No

SECTION V MAJOR EVENTS

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

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

Credits due from connected persons

Connected Party	Relationship with connected party	Reason for occurrence	Use of non-operating funds	Balance at the Beginning of the Period (RMB0'000)	Amount increased during the Period (RMB0'000)	Amount recovered during the Period (RMB0'000)	Interest rate	Interest for the Period (RMB0'000)	Balance at the End of the Period (RMB0'000)
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	A company in which Directors of the Company hold directorships	Sale of finished products, provision of services	No	509.30	3,439.88	1,545.69	–	–	2,403.49
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Subsidiary of the controlling shareholder	Sale of finished products	No	16.20	127.05	16.20	–	–	127.05
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	A company in which a Director and a senior management of the Company hold directorships	Sale of finished products, prepayment for equipment	No	21.12	149.60	133.63	–	–	37.09
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Sale of finished products, provision of services	No	935.24	157.13	935.58	–	–	156.79
Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥))	Enterprise controlled by the Director of the Company	Transfer of equity	No	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	37.24	25.10	–	–	19.58
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	A company in which a Director of the Company holds a directorship	Sale of finished products, provision of services	No	4.91	34.67	31.57	–	–	8.01
Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Subsidiary of a company in which a Director of the Company holds a directorship	Prepayment of products	No	15.39	–	–	–	–	15.39
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	A company in which a Director and a senior management of the Company hold directorships	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)	A company in which a senior management of the Company held a directorship	Prepayment of R&D technology	No	174.10	10.00	–	–	–	184.10

SECTION V MAJOR EVENTS

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

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

Credits due from connected persons *(Continued)*

Connected Party	Relationship with connected party	Reason for occurrence	Use of non-operating funds	Balance at the Beginning of the Period (RMB0'000)	Amount increased during the Period (RMB0'000)	Amount recovered during the Period (RMB0'000)	Interest rate	Interest for the Period (RMB0'000)	Balance at the End of the Period (RMB0'000)
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Subsidiary of the controlling shareholder	Sale of finished products	No	–	129.60	53.82	–	–	75.78
Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司) and its subsidiaries	Subsidiaries of a company in which a Director of the Company holds a directorship	Sale of finished products	No	–	315.42	261.30	–	–	54.12
Shenzhen City Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	A company in which a Director of the Company holds a directorship	Prepayment of services	No	–	61.99	14.17	–	–	47.82
Joincare (Guangdong) Special Medicine Food Co., Ltd. (健康元(廣東)特醫食品有限公司)	Subsidiary of the controlling shareholder	Leasing of asset as a lessor	No	–	19.93	13.29	–	–	6.64
Effect of credits due from connected parties on the operating results and financial position of the Company		These credits mainly arose from the ordinary course of business of the Company. There is no significant effect on the operating results and financial position of the Company.							

SECTION V MAJOR EVENTS

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

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

Debts payable to connected persons

Connected Party	Relationship with connected party	Reason for occurrence	Balance at the Beginning of the Period (RMB0'000)	Amount increased during the Period (RMB0'000)	Amount repaid during the Period (RMB0'000)	Interest rate	Interest for the Period (RMB0'000)	Balance at the End of the Period (RMB0'000)
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	1,695.54	1,209.51	–	–	1,691.99
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Purchase of raw materials	16,451.34	12,414.69	9,567.24	–	–	19,298.79
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Water, electricity and power, etc.	569.56	1,271.34	1,183.46	–	–	657.44
Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業 (有限合夥))	Enterprise controlled by the Director of the Company	Dividends payable	146.66	–	146.66	–	–	–
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	1,293.40	1,858.10	–	–	318.13
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	A company in which Directors of the Company hold directorships	Purchase of raw materials	–	314.82	–	–	–	314.82
Topsino Industries Limited (天誠實業有限公司)	Subsidiary of the controlling shareholder	Dividends payable	–	20,420.58	18,373.78	–	–	2,046.80
Effect of debts payable to connected parties on the operating results and financial position of the Company		These debts mainly arose from the ordinary course of business of the Company. There is no significant effect on the operating results and financial position of the Company.						

5. Other Major Connected Transactions

☒ Applicable ☐ Not applicable

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

6. Dealings with Related Financial Companies and Financial Companies Controlled by the Company

☐ Applicable ☒ Not applicable

SECTION V MAJOR EVENTS

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

1. One-off Connected Transactions

Provision of Guarantees for Livzon MAB

Reference is made to the circulars dated 24 April 2021 and 7 July 2021 of the Company published on 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.

SECTION V MAJOR EVENTS

XII. CONNECTED TRANSACTIONS DEFINED PURSUANT TO THE 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.

On 20 April 2021, 27 May 2021 and 3 August 2021, the Company signed guarantee agreements with China CITIC Bank Corporation Limited ("China CITIC Bank"), Industrial and Commercial Bank of China Limited ("Industrial and Commercial Bank") and China Minsheng Banking Corp., Ltd. ("Minsheng Bank") in the amounts of RMB200.00 million, RMB105.00 million and RMB200.00 million, respectively, to secure the credit facility granted to Livzon MAB by China CITIC Bank, Industrial and Commercial Bank and Minsheng Bank.

On 12 April 2021 and 12 July 2021, the Company signed guarantee agreements with Agricultural Bank of China Limited ("Agricultural Bank") in the amounts of RMB60.00 million and RMB200.00 million, respectively, to secure the credit facility granted to Livzon MAB by Agricultural Bank. In particular, the guarantee agreement with the amount of RMB60.00 million has lapsed and was superseded by the guarantee agreement with the amount of RMB200.00 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.

SECTION V MAJOR EVENTS

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

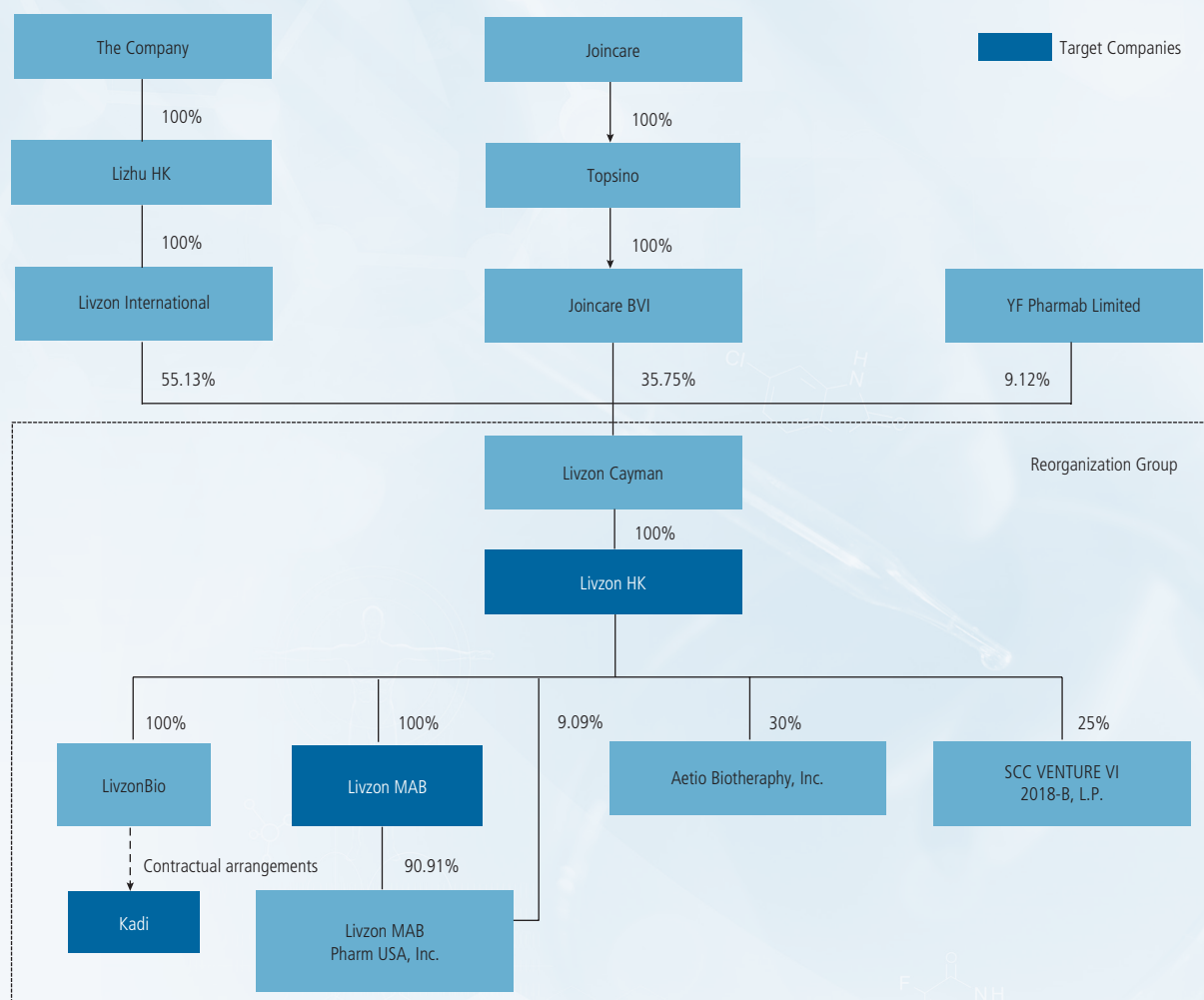
1. One-off Connected Transactions *(Continued)*

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

Corporate Structure Before and After the Reorganization

Before the Reorganization

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



[#] For details of the Subsidiary Share Option Scheme, please refer to “XVII. 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.

SECTION V MAJOR EVENTS

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

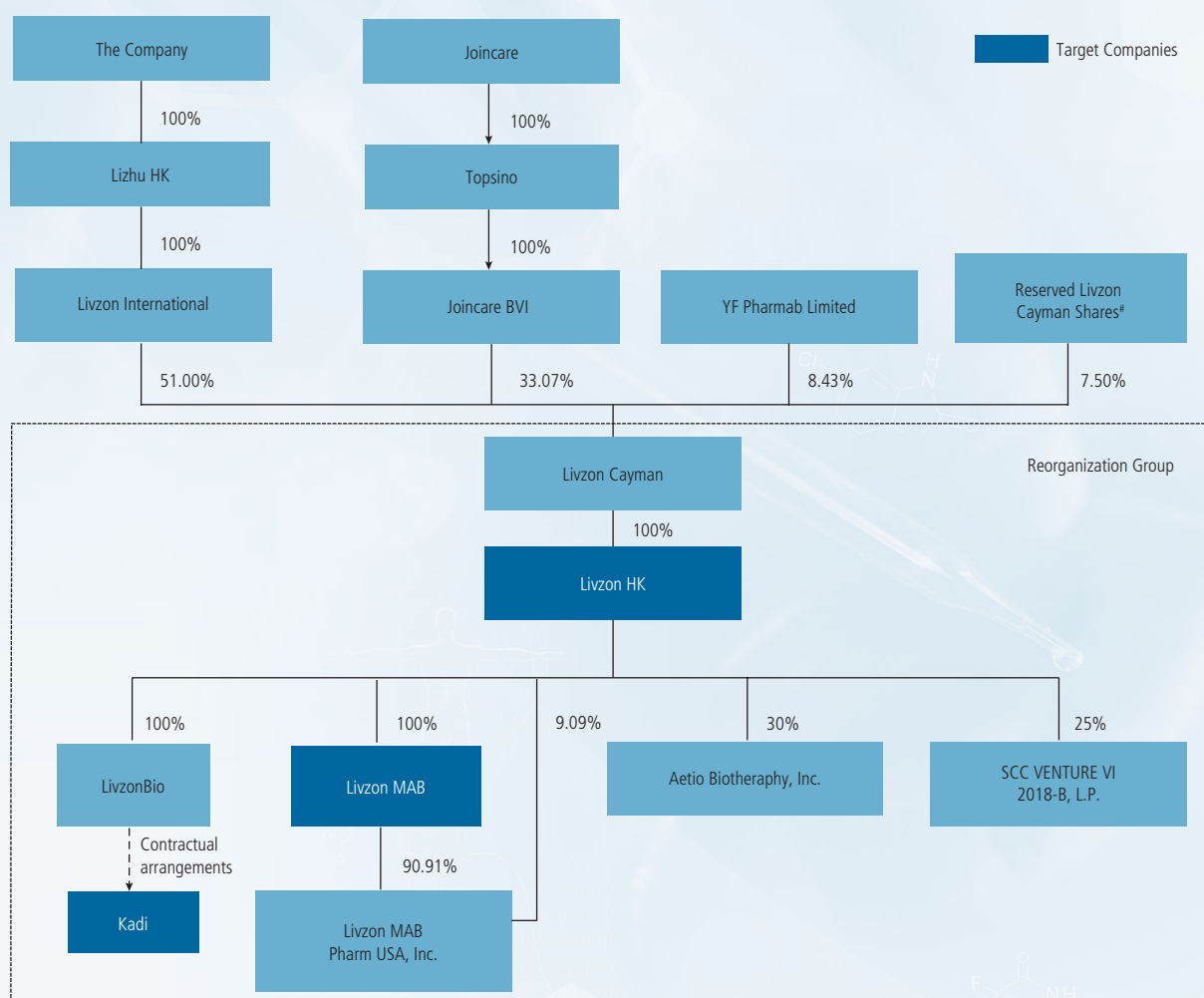
1. One-off Connected Transactions *(Continued)*

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

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

Before the Reorganization *(Continued)*

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



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

SECTION V MAJOR EVENTS

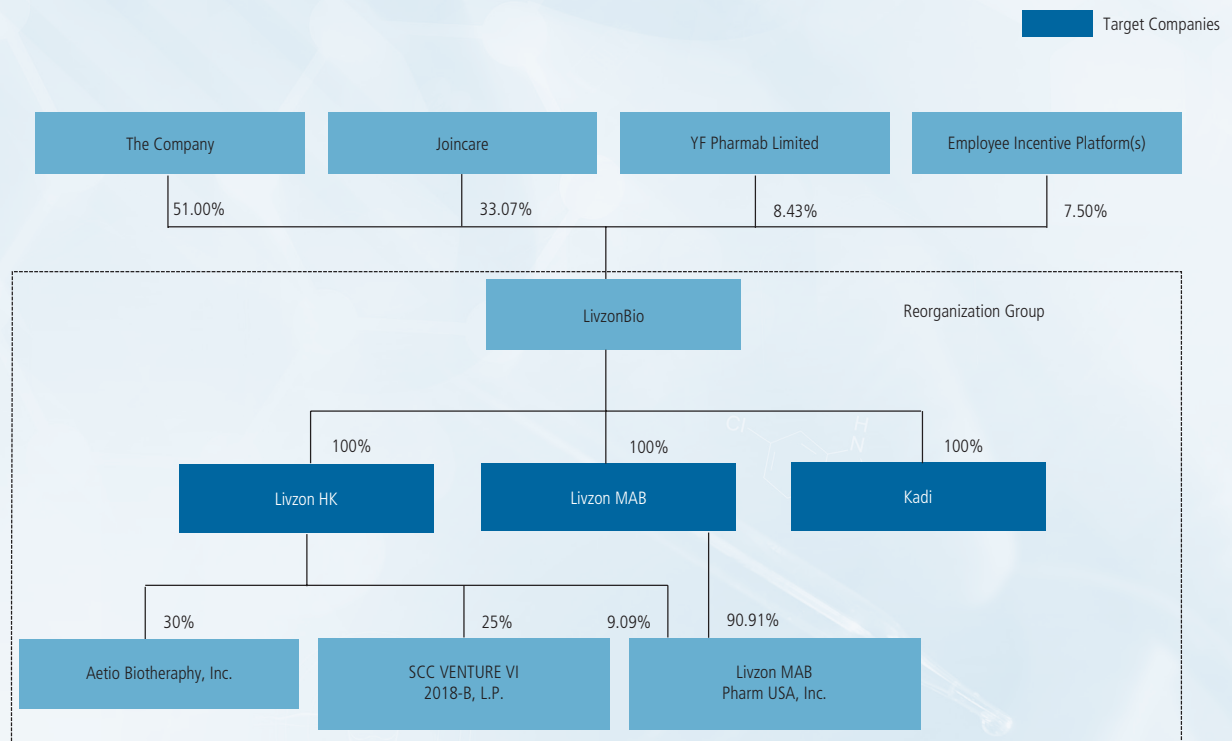
XII. CONNECTED TRANSACTIONS DEFINED PURSUANT TO THE HONG KONG LISTING RULES *(Continued)*

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 a controlling shareholder of the Company. Livzon Cayman was owned as to 55.13% and 35.75% by Livzon International and Joicare BVI, respectively. Therefore, Joicare, Joicare BVI, Livzon Cayman and its subsidiaries are connected persons of the Company.

SECTION V MAJOR EVENTS

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

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

On 11 January 2021, (1) the Company and Joicare respectively entered into the equity transfer agreements with Livzon HK, pursuant to which the Company and Joicare agreed to acquire 51% and 49% equity interest in LivzonBio from Livzon HK at a consideration of RMB24.31629 million (corresponding to the subscribed capital contribution of RMB127.50 million) and RMB23.36271 million (corresponding to the subscribed capital contribution of RMB122.50 million), respectively. (2) On the same day, the Company, Joicare, the Employee Incentive Platform (namely Hainan Lisheng Juyuan Investment Partnership (Limited Partnership) (海南麗生聚源投資合夥企業(有限合夥), "Lisheng Juyuan") and LivzonBio entered into the capital injection agreement, pursuant to which the registered capital of LivzonBio will be increased from RMB250,000,000 to RMB666,666,667, and the increased registered capital will be subscribed by the Company, Joicare and Lisheng Juyuan in proportion to their shareholdings in the capital contribution amount of RMB178.50 million, RMB171.50 million and RMB66.666667 million, respectively. The capital injection was completed with filing of industrial and business change registration on 15 January 2021. After the change, LivzonBio is owned by the Company, Joicare and Lisheng Juyuan as to 45.90%, 44.10% and 10.00% equity interest, 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 at a consideration of RMB637,421,940.54 (corresponding to the subscribed capital contribution of RMB147,401,875) and RMB324,225,000 (corresponding to the subscribed capital contribution of RMB74,954,742) respectively. The capital injection was completed with filing of industrial and business change registration on 5 February 2021. After the change, the registered capital of LivzonBio increased from RMB666,666,667 to RMB889,023,284. The premium amount of the consideration in excess of the increased registered capital will be credited to the capital reserve of LivzonBio, LivzonBio will be held as to 51.00%, 33.07%, 8.43% and 7.50% by the Company, Joicare, YF and Lisheng Juyuan, respectively. (2) On the same day, LivzonBio and Livzon HK entered into the equity transfer agreement, pursuant to which, Livzon HK agreed to transfer and LivzonBio agreed to acquire 100% equity interest of Livzon MAB (representing the subscribed capital contribution of RMB1,453.33 million and the paid capital contribution of RMB1,413.33 million) at a consideration of RMB1,480.00 million, LivzonBio will assume the contribution obligation of the outstanding capital contribution. The equity transfer was completed with filing of industrial and business change registration on 3 February 2021. After the change, Livzon MAB is directly owned by LivzonBio as to 100.00% equity interest.

SECTION V MAJOR EVENTS

XII. CONNECTED TRANSACTIONS DEFINED PURSUANT TO THE 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 at 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 24,574,830 ordinary shares and 12,500,000 preferred A shares held by them respectively at a consideration of US\$98,299,320 in RMB equivalent (i.e. RMB637,421,940.54) and US\$50,000,000 in RMB equivalent (i.e. RMB324,225,000), respectively; (2) each of Livzon International and Joicare BVI agreed that Livzon Cayman could repurchase 50,999,999 ordinary shares and 49,000,000 ordinary shares held by them respectively at a consideration of RMB306,038,709 and RMB294,037,191 respectively. As at 26 February 2021, Livzon Cayman repurchased a total of 137,074,829 shares in issue and paid the corresponding consideration of the share repurchases to Livzon International, YF and Joicare BVI, respectively. The above share repurchases were completed and Livzon Cayman only preserved 1 issued ordinary share, which was 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.

The Company has 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

On 29 July 2021, the Company convened a Board meeting to consider and approve the Resolution on the Connected Transaction in Relation to Technology Transfer. On the same day, 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 audited 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, and, therefore, the Company is of the view that the Project has good market potential.

As at 29 July 2021, Joicare directly and indirectly owned approximately 44.74% equity interest in the Company, so it is the controlling Shareholder of the Company. Therefore, Joicare and its associates are the connected persons of the Company and the transactions contemplated under the Technology Transfer Contract constitute a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio of the Transfer fee is higher than 0.1% but lower than 5%, the transactions contemplated under the Technology Transfer Contract are subject to the reporting and announcement requirements, but are exempted from the requirement of independent Shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

SECTION V MAJOR EVENTS

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

2. Continuing Connected Transactions

During the Reporting Period, for the transactions actually conducted between the Group and Joincare (the controlling shareholder) and its subsidiaries which constituted “continuing connected transactions” as defined under Chapter 14A of the Hong Kong Listing Rules, please refer to “XI. SUBSTANTIAL CONNECTED TRANSACTIONS DISCLOSED PURSUANT TO THE SHENZHEN LISTING RULES – 1. Connected Transactions in the Ordinary Course of Business” in the Section V of the Report for relevant information.

Entering into the 2021 First Labour Services Framework Agreement with Joincare

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 are subsidiaries of the Company) are located inside the production site of Jiaozuo Joincare (a subsidiary of Joincare), they require 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 Research Institute”) (both are subsidiaries of Joincare) would provide R&D service of drugs to the Group by leveraging on 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 will 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 is higher than 0.1% but lower than 5%, the transactions contemplated under the 2021 First Labour Services Framework Agreement are subject to the reporting and announcement requirements, but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Hong Kong Listing Rules.

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

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 day, the Company and Livzon MAB entered into the New 2021 Water Electricity Framework Agreement in relation to the above-mentioned 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 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 is the controlling subsidiary of the Company.

SECTION V MAJOR EVENTS

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

2. Continuing Connected Transactions *(Continued)*

Entering into the New 2021 Water Electricity Framework Agreement with Livzon MAB *(Continued)*

On 4 June 2021, Joicare directly and indirectly owned approximately 44.81% equity interests in the Company, so it was the controlling Shareholder of the Company. Joicare indirectly owned 33.07% equity interests in Livzon MAB, so Livzon MAB was an associate of Joicare. Therefore, Joicare and its associates and Livzon MAB were the connected persons of the Company and the transactions contemplated under the 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 is higher than 0.1% but lower than 5%, the transactions contemplated under the New 2021 Water Electricity Framework Agreement are subject to the reporting and announcement requirements, but are 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

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 day, 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 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 is the controlling subsidiary of the Company.

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

SECTION V MAJOR EVENTS

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

2. Continuing Connected Transactions *(Continued)*

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

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 day, 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 can leverage 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 can 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 meet 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 can focus its resources on R&D by avoiding the repeated construction of its production capacity. Therefore, the overall operation performance of the Group can be improved, as Livzon MAB is the controlling subsidiary of the Company.

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

SECTION V MAJOR EVENTS

XIII. MATERIAL CONTRACTS AND THEIR ENFORCEMENT

1. Custody, Contracting and Leasing

Custody

☐ Applicable ☒ Not applicable

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

Contracting

☐ Applicable ☒ Not applicable

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

Leasing

☐ Applicable ☒ Not applicable

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

2. Major Guarantees

☒ Applicable ☐ Not applicable

(1) Guarantees

Credit Facility Guarantees

Unit: RMB0'000

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

Name of guaranteed party	Disclosure date of announcement relating to guaranteed amount	Guaranteed amount	Actual date of event (signing date of agreement)	Actual guarantee amount	Type of guarantee	Security (if any)	Counter guarantee	Period of guarantee	Performance completed or not	Related party guarantee
Zhuohai 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 target have provided counter guarantee	2020.12.24- 2021.12.24	No	Yes
Total amount of external guarantees approved during the Reporting Period (A1)				-	Total amount of external guarantees actually occurred during the Reporting Period (A2)				2,900.00	
Total amount of external guarantees approved at the End of the Reporting Period (A3)				5,000.00	Total amount of external guarantees actually occurred at the End of the Reporting Period (A4)				-	

SECTION V MAJOR EVENTS

XIII. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(Continued)*

2. Major Guarantees *(Continued)*

(1) Guarantees *(Continued)*

Credit Facility Guarantees *(Continued)*

Company's Guarantees to its Subsidiaries

Name of guaranteed party	Disclosure date of announcement relating to guaranteed amount	Guaranteed amount	Actual date of event (signing date of agreement)	Actual guarantee amount	Type of guarantee	Security (if any)	Counter guarantee	Period of guarantee	Performance completed or not	Related party guarantee
Zhuhai Livzon Diagnostics Inc. (珠海麗珠診斷股份有限公司)	2020.4.9	10,000.00	2020.6.10	365.18	Joint liability guarantee	Nil	Other shareholders of the guaranteed target	2017.8.22-2025.6.1	No	No
Zhuhai Livzon Diagnostics Inc. (珠海麗珠診斷股份有限公司)	2020.4.9	20,000.00	2020.6.30	1,400.26	Joint liability guarantee	Nil	have provided counter guarantee	2020.6.30-2023.2.28	No	No
Livzon MABPharm Inc. (珠海市麗珠單抗 生物技術有限公司)	2021.6.5	15,000.00	2020.3.20	3,729.79	Joint liability guarantee	Nil		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	2020.7.17	20,000.00	Joint liability guarantee	Nil		2020.7.17-2021.9.29	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	2021.4.20	1,679.07	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	2021.4.12	2,061.57	Joint liability guarantee	Nil		2021.4.12-2022.4.11	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	9,840.00	Joint liability guarantee	Nil		2021.5.27-2022.5.20	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	14,425.85	Joint liability guarantee	Nil	Nil	2020.3.31-2023.2.21	No	No
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2021.3.23	30,000.00	2020.6.11	1,371.38	Joint liability guarantee	Nil	Nil	2020.6.11-2021.5.26	No	No
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2021.3.23	15,000.00	2020.7.31	8,971.57	Joint liability guarantee	Nil	Nil	2020.7.31-2021.7.31	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	8,802.11	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	7,282.95	Joint liability guarantee	Nil	Nil	2017.8.22-2025.6.1	No	No

SECTION V MAJOR EVENTS

XIII. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(Continued)*

2. Major Guarantees *(Continued)*

(1) Guarantees *(Continued)*

Credit Facility Guarantees *(Continued)*

Company's Guarantees to its Subsidiaries

Name of guaranteed party	Disclosure date of announcement relating to guaranteed amount	Guaranteed amount	Actual date of event (signing date of agreement)	Actual guarantee amount	Type of guarantee	Security (if any)	Counter guarantee	Period of guarantee	Performance completed or not	Related party guarantee
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	4,584.21	Joint liability guarantee	Nil	Other shareholders of the guaranteed target have provided counter guarantee	2017.8.22-2025.6.1	No	No
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2021.3.23	4,000.00	2020.5.20	1,831.43	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	537.00	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	9,005.60	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	8,742.79	Joint liability guarantee	Nil		2017.8.22-2025.6.1	No	No
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	2021.3.23	10,000.00	2020.6.10	4,581.69	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	3,500.56	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	6,861.43	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	6,000.00	2021.1.14	5,054.02	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	2020.7.27	6,605.62	Joint liability guarantee	Nil	Nil	2020.7.27-2021.7.27	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	212.70	Joint liability guarantee	Nil	Nil	2017.8.22-2025.6.1	No	No
Total amount of guarantees to its subsidiaries approved during the Reporting Period (B1)				1,379,300.00	Total amount of guarantees to its subsidiaries actually occurred during the Reporting Period (B2)				119,385.55	
Total amount of guarantees to its subsidiaries approved at the End of the Reporting Period (B3)				1,379,300.00	Total amount of guarantees to its subsidiaries actually occurred at the End of the Reporting Period (B4)				131,446.77	

SECTION V MAJOR EVENTS

XIII. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(Continued)*

2. Major Guarantees *(Continued)*

(1) Guarantees *(Continued)*

Credit Facility Guarantees *(Continued)*

Subsidiaries' Guarantees to Subsidiaries

Name of guaranteed party	Disclosure date of announcement relating to guaranteed amount	Guaranteed amount	Actual date of event (signing date of agreement)	Actual guarantee amount	Type of guarantee	Security (if any)	Counter guarantee	Period of guarantee	Performance completed or not	Related party guarantee
-	-	-	-	-	-	-	-	-	-	-
Total amount of guarantees to subsidiaries approved during the Reporting Period (C1)				-	Total amount of guarantees to subsidiaries actually occurred during the Reporting Period (C2)				-	-
Total amount of guarantees to subsidiaries approved at the End of the Reporting Period (C3)				-	Total amount of guarantees to subsidiaries actually occurred at the End of the Reporting Period (C4)				-	-

Total Guaranteed Amount of the Company (Total of the Above Three Items)

Total amount of guarantees approved during the Reporting Period (A1+B1+C1)	1,379,300.00	Total amount of guarantees actually occurred during the Reporting Period (A2+B2+C2)	122,285.55
Total amount of guarantees approved at the End of the Reporting Period (A3+B3+C3)	1,384,300.00	Total amount of guarantees actually occurred at the End of the Reporting Period (A4+B4+C4)	131,446.77
Total amount of guarantees actually occurred (i.e. A4+B4+C4) as a percentage of net assets of the Company			10.95%
Including:			
Amount of guarantee provided to Shareholders, de facto controllers and their related parties (D)			-
Amount of debt guarantee directly or indirectly provided to a guaranteed party with a gearing ratio exceeding 70% (E)			-
Portion of total guaranteed amount exceeding 50% of net assets (F)			-
Total guaranteed amount of the above three items (D+E+F)			-
Statement on the contingent joint liability in connection with outstanding guarantee contracts where guarantee liabilities have occurred during the Reporting Period or there was evidence indicating the possibility of incurring joint repayment liabilities (if any)			Not applicable
Statement on illegal external guarantees (if any)			Not applicable

SECTION V MAJOR EVENTS

XIII. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(Continued)*

2. Major Guarantees *(Continued)*

(1) Guarantees *(Continued)*

Pledge and guarantee of bills

The thirteenth meeting of the ninth session of the Board of the Company considered and approved the “Resolution on Conducting Bills Pooling Business” and agreed that an amount of up to RMB1.4 billion for conducting bills pooling business would be shared by the Company and its subsidiaries, such amount may be utilized on rolling basis. As at 30 June 2021, the pledge and guarantee of bills were as follows:

Unit: RMB0'000

Guarantor	Pledgee	Pledged amount of bills receivable	Name of guaranteed party	Description of guarantee	Guaranteed amount	Period of guarantee
The Company	China Merchants Bank	26,638.16	Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	1,645.95	Till 10 December 2021
			Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	3,252.32	Till 10 December 2021
			Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	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	14,094.70	Till 20 February 2022
			Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Opening bank acceptance bills, joint liability guarantee	755.62	Till 20 December 2021
			Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	2,026.63	Till 16 December 2021
			Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	471.32	Till 17 March 2022
			Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	Opening bank acceptance bills, joint liability guarantee	863.22	Till 20 November 2021
			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	264.16	Till 17 December 2021
Total balance of actual guaranteed amount for subsidiaries at the End of the Reporting Period					23,403.27	

SECTION V MAJOR EVENTS

XIII. MATERIAL CONTRACTS AND THEIR ENFORCEMENT *(Continued)*

2. Major Guarantees *(Continued)*

(1) Guarantees *(Continued)*

Guarantees provided to the Company by related parties

Joincare, the other shareholder of Livzon MAB, has provided a "Letter of Undertaking for Counter Guarantee", pursuant to which it has undertaken to provide a joint liability guarantee for 33.07% of the obligation of the Company under the guarantee provided to Livzon MAB and the guarantee period of which will be expired on the expiry date of the Company's obligation thereunder.

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

(2) Information on illegal external guarantees

☐ Applicable ☒ Not applicable

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

3. Entrusted Wealth Management

☐ Applicable ☒ Not applicable

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

4. Major Contracts for Daily Operation

☐ Applicable ☒ Not applicable

5. Other Material Contracts

☐ Applicable ☒ Not applicable

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

6. Other Material Transactions

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

SECTION V MAJOR EVENTS

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

Launch of futures hedging activities by controlling subsidiaries

On 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, may continue to carry out commodity futures hedging activities (the "Futures Hedging Activities"). The total deposit planned to be invested in the Futures Hedging Activities shall not exceed RMB20.00 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.

XV. PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

☐ Applicable ☒ Not applicable

XVI. DIVIDENDS AND BONUS SHARES

On 20 May 2021, the Company held the 2020 annual general meeting to consider and approve the distribution of cash dividend of RMB12.50 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2020 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized.

The distribution of the cash dividends for the Company's A Shares was completed on 1 June 2021, and the distribution of the cash dividends for the Company's H Shares was completed on 25 June 2021.

The Company has proposed to distribute neither interim dividends, nor bonus shares, for the six months ended 30 June 2021. During the six months ended 30 June 2020, the Company did not distribute any interim dividends.

SECTION V MAJOR EVENTS

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

☐ Applicable ☒ Not applicable

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

XVIII.EXPLANATION GIVEN BY THE BOARD OF DIRECTORS ON THE “NON-STANDARD AUDIT REPORT” FOR THE PREVIOUS YEAR

☐ Applicable ☒ Not applicable

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. SOCIAL RESPONSIBILITY

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 establish the concept of "Astragalus Root (黃芪) Industry" 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) ("Datong Livzon"), a subsidiary of the Company, has employed 30 local workers for the self-built base and jointly constructed base, which is expected to be increased to approximately 50 workers in the second half of 2021.

2. Public Welfare against Chronic Diseases

In order to respond positively to the call of national policy, the Group and the Joincare Group have launched the "Public Welfare against Chronic Diseases (慢病公益項目)" program by combining their own industrial advantages. The program targets at hypertension, hyperlipidemia, cardiovascular and cerebrovascular diseases, and drugs for treatment of chronic diseases have been donated 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 (纈沙坦膠囊), and Isosorbide Bononitrate Tablets (單硝酸異山梨酯片), which could be worth millions of RMB. 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, the project regularly makes continuous drug donations to remoted areas and helps the families with patients in such regions.

Since late 2018 onwards, the Group and the Joincare Group carried out the "Public Welfare against Chronic Diseases" program 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 (山西) 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 and Huangshan District of Huangshan City in Anhui Province, in which some of the middle-aged and elderly patients with chronic diseases were also benefitted as a result.

As at 30 June 2021, there were a total of 13 agreements in relation to the Public Welfare Projects for Chronic Diseases, among which 12 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 the second half of 2021, it is expected to donate drugs to areas including Hubei and Sichuan.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. MAJOR ENVIRONMENTAL ISSUES

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

✓ Yes ☐ No

(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	Intermittent	1	The northwest side of the factory	18.005	100	8.75	124.5	Nil
	Ammonia nitrogen				0.206	15	0.1	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 (as required by Article 26 of Environmental Protection Law of China: measures to prevent pollution in the construction project shall be designed, constructed and put into operation simultaneously with the main body of the project) 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 + SBR + Air float". After the sewage has gone through the above treatment process, all indicators are stable and satisfy the discharge standard. After meeting the discharge standards, the sewage is discharged to Jiangyin sewage plant operated by Fujian Huadong Water Treatment Co., Ltd. (福建華東水務有限公司) via sewage pipe network at the industrial park area for further treatment. A RTO waste gas treatment facility newly constructed in 2020 can treat organic waste gas through high-temperature incineration which will be emitted after meeting emission standards; three sets of waste gas treatment devices for fermentation, tank-receiving stations, and environmental protection have been newly built, so that the waste gas could be discharged after meeting the standard through multi-stage of water spray treatment; the second plant has newly constructed its waste gas treatment facility, in which the waste gas was treated through the secondary chemical washing and activated carbon adsorption method and emitted after meeting the emission standards. Two sets of QC waste gas treatment devices 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.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. MAJOR ENVIRONMENTAL ISSUES *(Continued)*

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

(1) Fuzhou Fuxing *(Continued)*

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

The "Environmental Impact Report on Product Upgrading Project of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (《麗珠集團福州福興醫藥有限公司產品升級改造項目環境影響報告書》)" was approved on 7 March 2017; and environmental protection inspection and acceptance upon completion of construction was passed on 25 November 2017. The "Environmental Impact Report on the Expansion Project for Production of 20 Tonnes of Paromomycin, 2 Tonnes of Telavancin, 1.8 Tonnes of Pentostatin, 3 Tonnes of Daptomycin, 3 Tonnes of Teicoplanin, 0.3 Million and 1 Billion of Kanamycin Monosulfate and 2 Tonnes of Milbemycin Oxime per Year (《年產巴龍霉素20噸、特拉萬星2噸、噴司他汀1.8噸、達托霉素3噸、替考拉寧3噸、單硫酸卡那霉素30萬十億、米爾貝肟2噸擴建項目環境影響報告書》)" of the company was approved on 24 July 2018; and the phased inspection and acceptance was passed for production of 3 tonnes of Daptomycin and 2 tonnes of Milbemycin Oxime on 12 October 2019. The "Environmental Impact Report on the Project for Annual Production of 1,000 Tonnes of Colistin Premix (《年產黏桿菌素預混劑1000噸項目環境影響報告表》)" of the company was approved on 27 November 2018; and the inspection and acceptance was passed on 9 May 2019. The "Environmental Impact Report of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. on the Expansion Project for Annual Output of 10 tonnes of Pasiniazid, 2 tonnes of Polymyxin, 400Kg of Oritavancin, 360 tonnes of Alumina, 6 tonnes of Doramectin and 6 tonnes of Tobramycin" was approved on 10 June 2019, and had passed the phased (6-tonne tobramycin) acceptance on 28 October 2020; the "Environmental Impact Report on the Phase II High-end Antibiotics Project of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd." was approved on 18 March 2020, and had passed the phased (0.15-tonne rapamycin) acceptance on 31 October 2020. In the first half of 2021, the preparation of the "Environmental Impact Report on the Phase III High-end Antibiotics Project of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd." was in process. 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.

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 with the file reference number 350181-2019-039-M.

After environmental emergency incidents occur, immediate, quick, effective and orderly emergency rescue actions will be taken to control and prevent accidents and the spread of contamination, protect the surrounding environment effectively and ensure the personal life and property safety of all employees, the company and the nearby communities. In accordance with the contents and requirements of such plan, the company provides trainings and drills for its employees to get them well-prepared for environmental emergency incidents, so that rescue actions could be taken in a timely manner and incidents could be controlled effectively in a short period of time in case of any environmental emergency incidents. In June 2021, the RTO power failure emergency drill was conducted.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. MAJOR ENVIRONMENTAL ISSUES (Continued)

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

(1) Fuzhou Fuxing (Continued)

Environmental Self-monitoring Program:

According to the relevant requirements of the "Measures for Self-Monitoring and Information Disclosure by Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation)" (《國家重點監控企業自行監測及信息公開辦法(試行)》) 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 June 2021, the volatile organic matter leak detection and repair (LDAR) work was finished. Information publicity website: <http://wryfb.fjemc.org.cn>

(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	89.3	240	37.85	Nil	Nil
	Ammonia nitrogen				11.72	70	4.97	Nil	Nil

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

Construction and Operation of Pollution Preventive Facilities:

The "Three Wastes" were collected and treated effectively in strict compliance with the "Three Simultaneous" system. The sewage treatment facilities with an investment amount of over RMB30 million have a designed processing capacity of 3,000t/d and adopt the treatment process of "Pre-treatment + Aerobic pool + Hydrolysis acidification tank + SBR + Catalytic oxidation + Air float". In the first half of 2021, an aggregate amount of over RMB5 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 30 environmental protection improvement projects, such as the power cooling tower noise reduction project, the installation of the boiler inlet muffler, the enclosure of 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.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. MAJOR ENVIRONMENTAL ISSUES *(Continued)*

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

(2) Xinbeijiang Pharmaceutical *(Continued)*

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.

Environmental Emergency Contingency Plan:

During the Reporting Period, 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 strictly complied with the "Environmental Emergency Contingency Plan of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (《麗珠集團新北江製藥股份有限公司突發環境事件應急預案》)" which has been verified, filed and issued. 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 has been installed in accordance with the requirement of environmental assessment technical standards, while online monitoring equipment has passed the inspection and acceptance of the relevant environmental protection authorities and the connection between online information and national development platform and Qingyuan municipal platform has been completed. The automated monitoring equipment has been functioning properly and the monitoring information is accurate, valid and authentic. Information publicity website: http://www.gdqy.gov.cn/xxgk/zzjg/zfjg/qyssthjj/xxgk/qyzzgk/content/post_1376870.html

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. MAJOR ENVIRONMENTAL ISSUES (Continued)

1. The Listed 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)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Chemical oxygen demand	Indirect	1	Wastewater	83.75	192	7.7413	/	Nil
	Ammonia nitrogen (NH ₃ -N)			treatment station	4.59	40	0.218	/	Nil
	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/m ³)	Pollutant discharge standards implemented (mg/m ³)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
	Sulphur dioxide	Organized continuous emission	3	Boiler room	5.33	50	0.09	/	Nil
	Nitrogen oxide	Organized continuous emission	3	Boiler room	53.68	150	0.91	/	Nil
	Particulate matter	Organized continuous emission	3	Boiler room	1.36	20	0.01	/	Nil
	Hydrogen chloride	Organized continuous emission	7	Workshop	1.41	100	0.19	/	Nil
	Non-methane hydrocarbons	Organized continuous emission	7	Workshop	16.74	60	2.66	77.76	Nil
	Non-methane hydrocarbons	Organized continuous emission	1	RTO	7.93	60	0.71		Nil
	Nitrogen oxide	Organized continuous emission	1	RTO	50	200	4.46	/	Nil
	Sulphur dioxide	Organized continuous emission	1	RTO	3	200	0.27	/	Nil

Notes:

- 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.
- 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).

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. MAJOR ENVIRONMENTAL ISSUES *(Continued)*

1. The Listed 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 blanket (UASB) + advanced oxidation + CASS process + air floatation/ozonation advanced treatment" was adopted. Treated sewage was discharged through the municipal sewage pipeline network into Zhuhai Leaguer Environmental Protection Co., Ltd. (珠海力合環保有限公司) (water purification plant in the South District). In 2018, new investment in environmental protection projects amounted to RMB4.48 million, of which RMB3.20 million was invested in exhaust gas RTO incineration treatment. Cover and sealing were added to the anaerobic tower, CASS tower and other facilities at the environmental protection centre. In 2019, new investment of RMB0.45 million in additional air floatation device was made for water outflow from CASS to remove particulates, total phosphorus and colour, further reducing emission of pollutants. The hazardous wastes of the company were properly disposed in compliance with regulations by qualified companies engaged according to environmental assessment and acceptance inspection opinion. In 2020, RMB200,000 was invested to replace the integrated pool covers and reduce unorganized exhaust gas emission.

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

The Environmental Impact Assessment Report on Current Status of the Product Structure and Production Capacity Adjustment Project of Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《珠海保稅區麗珠合成製藥有限公司產品結構及產能調整項目現狀環境影響評價報告》) was approved in December 2016. The company strictly enforced the "Three Simultaneous" system and implemented environmental protection measures as required under environmental impact assessment with normal operation of the environmental protection facilities. After being approved of the application for a new national pollutant discharge license on 8 December 2017, the company strictly followed the licensing requirements for pollutant emission and strictly complied with the administrative requirements. The inspection and acceptance for clean production was approved on 21 December 2018. The integrated treatment on VOCs passed the "one policy for one enterprise" inspection and acceptance in November 2020. Change of pollutant discharge license was completed in December 2019. In July 2020, the self-monitoring program for pollutant discharge licenses was revised in accordance with the Technical Standards for Application and Issuance of Pollutant Discharge Licence for the Pharmaceutical Industry-Active Pharmaceutical Ingredient Manufacturing (《排污許可證申請與核發技術規範(製藥工業-原料藥製造)》), to strictly comply with the administrative requirements.

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.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. MAJOR ENVIRONMENTAL ISSUES (Continued)

1. The Listed 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 Self-monitoring Program:

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

(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	49.7075	120	6.289	108	Nil
	Ammonia nitrogen				14.099	35	1.764	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, initial investment of more than RMB3.00 million, adoption of the advanced “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. So far, a further investment of nearly RMB1.00 million has been made successively to improve the water treatment process, thus ensuring that all wastewater treatment indicators are stable and satisfy the discharge standard. Treated sewage that reaches the grade II discharge standard is directly discharged into Minjiang River. The hazardous wastes of the company are entrusted to qualified companies for compliant disposal according to the requirements of environmental impact assessment and acceptance inspection opinions. In 2019, the company invested RMB340,000 for upgrading the treatment facilities of sewage and waste gases with adoption of “Iye-spraying + UV photolysis + active carbon adsorption” process. The environmental emission was far below the emission limits after such upgrade. In 2020, RMB1 million was invested in the collection and treatment of exhaust gases in the refinery workshops. 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.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. MAJOR ENVIRONMENTAL ISSUES *(Continued)*

1. The Listed 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 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.

Environmental Emergency Contingency Plan:

Pursuant to relevant provisions and requirements, the Environmental Emergency Contingency Plan of Gutian Fuxing Pharmaceutical Co., Ltd. (《古田福興醫藥有限公司突發環境事件應急預案》) was prepared based on the principles of "Focus on Prevention, Aim at Self-rescue, Centralised Command and Division of Responsibility (預防為主、自救為主、統一指揮、分工負責)". The contingency plan was approved in May 2017 with the file reference number 352200-2017-005-L. The second amendment of the contingency plan was made in June 2020, which passed expert review and completed filing, with the filing number 350922-2020-002-M.

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

Environmental Self-monitoring Program:

According to the relevant requirements of the "Measures for Self-Monitoring and Information Disclosure by Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation)" (《國家重點監控企業自行監測及信息公開辦法(試行)》), the company has completed the establishment of the self-monitoring program based on its own situation in a timely manner and made the program available to the public after being examined by and filed with Ningde environment protection 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 June 2021, a qualified third party was entrusted to complete volatile organic matter leak detection and repair (LDAR) and obtain a report. Information publicity website: <http://wryfb.fjemc.org.cn>

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. MAJOR ENVIRONMENTAL ISSUES (Continued)

1. The Listed 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	Intermittent	1	Wastewater treatment station	16.5	110	2.55	Nil	Nil
	Ammonia nitrogen				0.699	15	0.1075	Nil	Nil

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

Construction and Operation of Pollution Preventive Facilities:

The “Three Simultaneous” system was strictly implemented by the company for the treatment of “Three Wastes” by collecting and treating the “Three Wastes” effectively. The investment for sewage treatment facilities was over RMB13 million with designed processing capacity of 1,500t/d and adopted the treatment process of “Pre-treatment + Hydrolysis acidification tank + Facultative tank + Aerobic pool + Secondary sedimentation”, and the sewage after treatment was discharged through the municipal pipeline network into Shaoguan Second Sewage Treatment Plant (韶關市第二污水處理廠). In respect of exhaust gas treatment, biomass boilers were all replaced by gas boilers. In respect of control of noise pollution, RMB100,000 was invested to construct noise segregation wall to reduce noise pollution.

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

The Environmental Impact Report on the Technological Reform Project for the 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, and the “Three Simultaneous” system was strictly enforced to implement the environmental protection measures required under the environmental impact assessment, with normal operation of the environmental protection facilities. A new version of pollutant discharge license was obtained on 10 December 2019. The Environmental Impact Report for Workshop II of Small-capacity Injection (《小容量注射劑二車間項目環境影響報告表》) was approved on 23 November 2020.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. MAJOR ENVIRONMENTAL ISSUES (Continued)

1. The Listed 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》) 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 with the file reference number LZLMZY-03 and the filing number 440203-2021-009-L. According to the contingency plan, identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on regular basis to improve the operability of the contingency plan, enhance the performance level of the emergency rescue staff, responsiveness of the rescue team as well as coordination and collaboration of different tasks.

Environmental Self-monitoring Program:

An entity with national qualification on inspection was engaged to conduct monitoring strictly in compliance with the relevant national laws and regulations and standards. By considering its own specific conditions, the company appointed the inspection party to carry out water pollutant detection monitoring every quarter and boiler exhaust gas monitoring 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 online monitoring equipment for COD, ammonia nitrogen was completed and began to run officially in December 2020, and COD and ammonia nitrogen were monitored every 2 hours. Online data should be completed and filed to the Shaoguan Environmental Protection Bureau on a timely basis, and the relevant data would be announced to the public after being reviewed by and filing with the Shaoguan Environmental Protection Bureau.

(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/m ³)	Pollutant discharge standards implemented (mg/m ³)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Pharmaceutical Factory	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	13.17	120	1.05	Nil	Nil
	Ammonia nitrogen	Intermittent	1	Wastewater treatment station	0.52	20	0.04	Nil	Nil

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. MAJOR ENVIRONMENTAL ISSUES *(Continued)*

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

(6) Pharmaceutical Factory *(Continued)*

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 AO process for phase II, and the sewage after treatment was discharged through the municipal pipeline network into sewage treatment plants. For waste gas: currently, 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, UV photoion equipment and second-level spray towers.

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

The Environmental Impact Assessment Report on Expansion Project for Production Line of Recombinant Human Chorionic Gonadotropin for Injection of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠) was approved in March 2018; the Environmental Impact Assessment Report on Expansion Project for Sewage Treatment Stations of Livzon Group Livzon Pharmaceutical Factory was approved in April 2019; the Environmental Impact Assessment Report on Expansion Project for Production Line of Lyophilized Powder Injection of Livzon Group Livzon Pharmaceutical Factory was approved in November 2020, the Environmental Impact Assessment Report on V01 Industrialization Project of Livzon Group Livzon Pharmaceutical Factory was approved in April 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 prepared by the company in 2018, and has been approved for filing approval and announced, with the filing number 440404-2018-016-L. Pursuant to the requirements of the Environmental Emergency Contingency Plan, it should be amended every three years, and the contingency plan is currently being updated. The drills on the emergency contingency plan were conducted on a regular basis, to enhance emergency response capabilities of staff, so as to alleviate or eliminate the consequences effectively.

Environmental Self-monitoring Program:

Inspection party with national qualification on inspection was engaged to conduct monitoring strictly in compliance with the relevant national laws and regulations and standards. By considering its own specific conditions, the company appointed the inspection party to carry out monitoring 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.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. MAJOR ENVIRONMENTAL ISSUES (Continued)

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

(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)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Ningxia Pharmaceutical	Chemical oxygen demand	Continuous	1	Sewage treatment workshop on north side of factory zone	106	200	60.45	Nil	Nil
	Ammonia nitrogen				0.6	25	0.332	Nil	Nil
	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/m³)	Pollutant discharge standards implemented (mg/m³)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
	Sulphur dioxide	Continuous	1	Boiler workshop	53	200	12.72	156.816	Nil
	Nitrogen oxide	Continuous		on north side	104	200	37.23	156.816	Nil
	Particulate matter	Continuous		of factory zone	19	30	5	23.522	Nil
	Volatile organic compounds	Continuous	9	4 outlets for fermentation, 3 outlets for refinery and 2 outlets for sewage	14.5	100	11	79.535	Nil

Notes:

- (1) The discharge concentration of wastewater represents the concentration of ultimate discharge to the environmental protection control center of Ningxia Xin'an Technology Co., Ltd. (寧夏新安科技有限公司) ("Xin'an Company"), the standard adopted for 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 (VOCs) represents the concentration of ultimate discharge to the environment (self-monitoring concentration), the adopted standard was the standard limits stipulated in Schedule I of the Air Pollutant Discharge Standards for Pharmaceutical Industry (《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 VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. MAJOR ENVIRONMENTAL ISSUES *(Continued)*

1. The Listed 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. The current treatment process for boiler flue gas adopted the technical processes of "Furnace combustion blended with limestone powder + bag filter + water film scrubber + alkali solution desulphurization + spray defogging". With effect from January 2018, the standard of special emission limit under the Emission Standard for Boiler Atmospheric Pollutants (《鍋爐大氣污染物排放標準》) (GB13271-2014) was implemented. In July 2019, the upgrading and transformation work for boiler exhaust gas treatment facilities was completed, which further stabilized the treatment effects of particulate matter. In 2020, a cover was installed to the sewage tank of 201-2 workshop to centralize the collection of exhaust gases for treatment; one spare exhaust gas collection fan was installed in the pre-aeration tank of the sewage workshop; exhaust gases from materials tanks in 203-1 workshop were centralized for collection and treatment; the gas inlet pipes in 202 workshop which are used for exhaust gas entering the boiler for combustion were replaced, and 1,000 trees were newly planted for greening project; while one set of exhaust gas treatment facility was installed to both 102 and 103 fermentation workshops; the exhaust gas treatment facility in 101 fermentation workshop was upgraded and transformed. In the first half of 2021, the installation and use of exhaust gas collection and treatment facilities for hazardous waste stations were completed, and doramectin fermentation exhaust gas of 101 fermentation workshop was introduced into the specific exhaust gas treatment facility for doramectin fermentation exhaust gas of 102 fermentation workshop, and a primary sedimentation tank was added to the sewage treatment station to lead out exhaust gas for treatment.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. MAJOR ENVIRONMENTAL ISSUES *(Continued)*

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

(7) Ningxia Pharmaceutical *(Continued)*

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

The Environmental Impact Report on the Construction Project for Production of Biopharmaceuticals by Livzon Group Ningxia Fuxing Pharmaceutical Manufacturing Co., Ltd. (《麗珠集團寧夏福興製藥有限公司生物醫藥生產建設項目環境影響報告書》) was approved by the Environmental Protection Department of the Autonomous Region on 5 July 2012 and the environmental protection inspection for completion conducted by the Environmental Protection Department was passed on 8 May 2015. In April 2016, approval was obtained from Pingluo County for expansion and reconstruction of the production line with annual production capacity of 120 tonnes for Coenzyme Q10 products, and completion inspection conducted by the Environmental Protection Bureau of Pingluo County was passed in March 2017. The Environmental Impact Report on the Construction Project for Production of Biopharmaceuticals by Livzon Group Ningxia Xinbeijiang Pharmaceutical Manufacturing Co., Ltd. (《麗珠集團寧夏新北江製藥有限公司生物醫藥生產建設項目環境影響報告書》) was approved on 5 July 2012 and the environmental protection inspection for completion was passed on 30 November 2015. In April 2016, approval was granted by the Environmental Protection Bureau of Pingluo County for expansion and reconstruction of the production line with annual production capacity of 360 tonnes of Hydrochloride Lincomycin (鹽酸林可霉素) products, and completion inspection conducted by the Environmental Protection Bureau of Pingluo County was passed in March 2017. In December 2018, approval was granted by the Environmental Protection Bureau of Pingluo County for the construction project of extraction workshop with annual production capacity of 210 tonnes of mycophenolic acid and 3 tonnes of doramectin, the environmental protection inspection for completion was passed in May 2019. On 30 December 2019, approval in respect of the environmental impact assessment for the construction of the project with additional annual production capacity of 160 tonnes of Mevastatin (美伐他汀) and 120 tonnes of Lovastatin (洛伐他汀) was granted by Ningxia Pingluo Industrial Park Management Committee. The demolition and inspection and acceptance of a 20t/h circulating fluidized bed coal-fired boiler of Livzon Group Ningxia Xinbeijiang Pharmaceutical Manufacturing Co., Ltd. (麗珠集團寧夏新北江製藥有限公司) was completed. The expert review for the environmental improvement project plan for 2019 of Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司) and the inspection and acceptance for the implementation thereof (including self-inspection and acceptance and inspection and acceptance by government authorities) were also completed. In June 2020, the environmental impact approval of the construction of the doramectin (多拉菌素) production line technical transformation project approved by the Ningxia Pingluo Industrial Park Management Committee (寧夏平羅工業園區管委會) was passed. In July 2020, the environmental protection and acceptance inspection work for the completed projects with an annual additional output of 160 tonnes of Mevastatin (美伐他汀) and 120 tonnes of Lovastatin (洛伐他汀) was completed, and the outsourcing of recycling for mother solution of Phenylalanine (苯丙氨酸) was approved. In December 2020, the work for replacing the pollutant discharge license and the inspection and acceptance for clean production were completed. The environmental protection inspection for completion of doramectin expansion project was completed in March 2021, and the evaluation of project work upon optimized disposal of the company's solid waste is being carried out currently. The company strictly enforced the "Three Simultaneous" system to implement the environmental protection measures as required by environmental assessment, and the environmental protection facilities were in normal operation.

Environmental Emergency Contingency Plan:

The Environmental Emergency Contingency Plan of Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (《麗珠集團(寧夏)製藥有限公司突發環境事件應急預案》) was verified, filed and issued in May 2019 (filing reference number: 640221-2019-005-II). Identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on regular basis to improve the operability of the contingency plan, enhance the performance level of the emergency rescue staff, and enhance the responsiveness and coordination of the rescue team in terms of integrated coordination and collaboration capabilities. Reamendment of the Environmental Emergency Contingency Plan was started in May 2021, and the amended plan has passed expert review currently.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. MAJOR ENVIRONMENTAL ISSUES (Continued)

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

(7) Ningxia Pharmaceutical (Continued)

Environmental Self-monitoring Program:

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

(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	116.1	220	4.8	60.8	Nil
	Ammonia nitrogen			in industrial wastewater workshop	4.1	35	0.17	8.8	Nil

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

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. MAJOR ENVIRONMENTAL ISSUES *(Continued)*

1. The Listed 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)*

Construction and Operation of Pollution Preventive Facilities:

The "Three Wastes" were collected and treated effectively in strict compliance with the "Three Simultaneous" system. The designed sewage treatment capacity was 3,000t/d, the treatment process of "hydrolytic acidification tank + anaerobic UASB + aerobic pool + materialized treatment" was adopted, the treated wastewater would be discharged through the municipal pipeline network into the sewage treatment plant of Xiuwu Branch of Kangda Water Co., Ltd. (康達水務有限公司修武分公司). The sewage treatment facilities were under normal operation with compliant discharge. For exhaust gas: exhaust gases generated from technical process in the production zone would be collected and treated by adopting two sets of processes of "water spray + active carbon and -20℃ condensation + water spray + active carbon" and then discharged after reaching the required standard. For solid waste: hazardous solid wastes would be stored in the hazardous waste station constructed in compliance with the requirements of "Three 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. 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.

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.

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 (filing reference number: 4108042018005L). The Hazardous Waste Environmental Pollution Emergency Contingency Plan of Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《焦作麗珠合成製藥有限公司危險廢物環境污染事故應急預案》) was compiled and was approved for filing in January 2018. Identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on regular basis to improve the operability of the contingency plan, enhance the performance level of the emergency rescue staff, and enhance the responsiveness and coordination of the rescue team in terms of integrated coordination and collaboration capabilities. The company carried out 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》) to enhance the environmental protection knowledge of staff.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. MAJOR ENVIRONMENTAL ISSUES (Continued)

1. The Listed 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 leak detection and repair (LDAR) of volatile organic compounds had commenced in the first half of 2021, and 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)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Ningxia Pharmaceutical	COD	Intermittent	1	Master outlet in the park	72	500	1.72	Nil	Nil
	Ammonia nitrogen				2.45	40	0.05	Nil	Nil
	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/m ³)	Pollutant discharge standards implemented (mg/m ³)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
	Particulate matter	Organized	2	No. 5 and 6 outlet on the roof	5.2	20	0.003	0.054	Nil
	VOCs		8	No.1, 2, 3, 4, 7, 8, 9 and 10 outlets on the roof	1.81	60	0.186	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.

SECTION VI ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

II. MAJOR ENVIRONMENTAL ISSUES *(Continued)*

1. The Listed 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 200m³/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, and 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. 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 2020, the on-site inspection of the national pollutant discharge license was completed and the pollutant discharge license was obtained.

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》) was filed by the company, with the filing number 02-310115-2019-027-L. 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 pollutant 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.

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

☐ Applicable ☒ Not applicable

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

I. CHANGES IN SHARES

1. Changes in Shares

As at 30 June 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%	155,902	–	155,902	19,814,945	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%	133,087	–	133,087	2,455,381	0.26%
Including: Shares held by domestic entities							
Shares held by domestic natural persons	2,322,294	0.25%	133,087	–	133,087	2,455,381	0.26%
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%	3,485,149	-12,722,408	-9,237,259	915,939,094	97.88%
1. Ordinary shares denominated in RMB	605,312,136	64.07%	3,485,149	-6,093,808	-2,608,659	602,703,477	64.41%
2. Domestically listed foreign shares							
3. Overseas listed foreign shares	319,864,217	33.85%	–	-6,628,600	-6,628,600	313,235,617	33.47%
4. Others							
III. Total number of shares	944,835,396	100.00%	3,641,051	-12,722,408	-9,081,357	935,754,039	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 reserved grant thereof was under the first exercise period, during the Reporting Period, a total of 3,641,051 share options were exercised by the incentive participants (including the Directors and senior management of the Company) and the total number of shares of the Company increased by 3,641,051 shares accordingly. Among which, a total of 207,870 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 155,902 shares and the total number of shares not subject to selling restrictions of the Company increased by 3,485,149 shares.

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

I. CHANGES IN SHARES *(Continued)*

1. Changes in Shares *(Continued)*

Approval of changes in shares

☒ Applicable ☐ Not applicable

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

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

Transfer of changes in shares

☐ Applicable ☒ Not applicable

Progress of the implementation of share repurchase

☒ Applicable ☐ Not applicable

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

Progress of the implementation of repurchased shares reduction through centralized bidding

☐ Applicable ☒ Not applicable

Impact of changes in shares on the financial indicators of the latest year and the latest period, such as basic and diluted earnings per share, net assets per share attributable to the ordinary shareholders of the Company

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

1. CHANGES IN SHARES *(Continued)*

2. Changes in Shares with Selling Restrictions

✓ Applicable ☐ Not applicable

Unit: share(s)

Name of Shareholder	Number of shares with selling restrictions at the Beginning of the Period	Number of shares released from selling restrictions during the Period	Increase in the number of shares with selling restrictions during the Period	Number of shares with selling restrictions at the End of the Period	Reasons for selling restrictions	Date of release from selling restrictions
Begol	17,306,329	—	—	17,306,329	Shares pledged, shares locked up and shares subject to selling restriction before initial offering	Not confirmed
Mr. Tao Desheng (陶德勝先生)	530,812	—	—	530,812	Locked shares held by the senior management	N/A
Mr. Xu Guoxiang (徐國祥先生)	530,812	—	57,037	587,849	Locked shares held by the senior management	N/A
Mr. Tang Yanggang (唐陽剛先生)	258,722	—	—	258,722	Locked shares held by the senior management	N/A
Mr. Yang Daihong (楊代宏先生)	351,734	—	—	351,734	Locked shares held by the senior management	N/A
Mr. Xu Peng (徐朋先生)	30,420	—	22,815	53,235	Locked shares held by the senior management	N/A
Ms. Si Yanxia (司燕霞女士)	257,687	—	45,630	303,317	Locked shares held by the senior management	N/A
Mr. Zhou Peng (周鵬先生)	165,483	—	30,420	195,903	Locked shares held by the senior management	N/A
Ms. Huang Yuxuan (黃瑜璇女士)	74,871	—	—	74,871	Locked shares held by the senior management	N/A
Mr. Yang Liang (楊亮先生)	152,173	—	—	152,173	Locked shares held by the senior management	N/A
Total	19,659,043	—	155,902	19,814,945	—	—

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

3. Sufficient Public Float

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

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

II. ISSUE AND LISTING OF SECURITIES

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

☐ Applicable ☒ Not applicable

III. NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS IN THE COMPANY

Total number of ordinary shareholders at the End of the Reporting Period 53,588 (including 53,564 A Shareholders) Total number of preferred shareholders with resumed voting rights at the End of the Reporting Period (if any) 0

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

Name of shareholder	Nature of shareholder	Class of shares	Shareholding percentage	Number of ordinary shares held at the End of the Period (shares)	Change during the Period (shares)	Number of ordinary shares held with selling restrictions (shares)	Number of ordinary shares held without selling restrictions (shares)	Pledge or lock-up Share status	Number
HKSCC Nominees Limited ^(Note 2)	Foreign entity	H Share	33.45%	313,008,317	-6,730,500	–	313,008,317	–	–
Joincare	Domestic non-state owned entity	A Share	23.66%	221,376,789	–	–	221,376,789	–	–
Hong Kong Securities Clearing Company Limited	Foreign entity	A Share	3.41%	31,937,376	+4,895,493	–	31,937,376	–	–
Begol	State-owned entity	A Share	1.85%	17,306,329	–	17,306,329	–	Pledged and locked up	17,306,329
Haibin Pharma	Domestic non-state owned entity	A Share	1.80%	16,830,835	–	–	16,830,835	–	–
Industrial and Commercial Bank of China Limited – Fullgoal Military Industry Theme Mixed Securities Investment Fund (中國工商銀行股份有限公司 – 富國軍工主題混合型證券投資基金)	Others	A Share	1.27%	11,891,823	+8,235,538	–	11,891,823	–	–
Industrial and Commercial Bank of China – Zhong Ou Modern Pioneer Stock Initiating Securities Investment Fund (中國工商銀行股份有限公司 – 中歐時代先鋒股票型發起式證券投資基金)	Others	A Share	0.77%	7,206,547	+2,015,457	–	7,206,547	–	–
Norges Bank – Internal Funds (挪威中央銀行 – 自有資金)	Foreign entity	A Share	0.76%	7,123,478	+7,123,478	–	7,123,478	–	–
China Construction Bank Corporation – Anxin Value Selected Stock Securities Investment Fund (中國建設銀行股份有限公司 – 安信價值精選股票型證券投資基金)	Others	A Share	0.74%	6,910,732	-367,086	–	6,910,732	–	–
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	–	–

Description of strategic investors or general legal persons who became Top 10 shareholders through placement of new shares

Not applicable

Description of connection or acting-in-concert relationship of the above shareholders

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

Description of the above shareholders involved in entrustment/entrusted voting right and waiver of voting right

Not applicable

Special notes on the special repurchase account among the top 10 shareholders (if any)

Not applicable

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

III. NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS IN THE COMPANY

(Continued)

Shareholdings of Top 10 Ordinary Shareholders without Selling Restrictions

Name of shareholder	Number of ordinary shares held without selling restrictions at the End of the Reporting Period	Class of shares	
		Class of shares	Number
HKSCC Nominees Limited	313,008,317	Overseas listed foreign shares	313,008,317
Joincare	221,376,789	Ordinary shares denominated in RMB	221,376,789
Hong Kong Securities Clearing Company Limited	31,937,376	Ordinary shares denominated in RMB	31,937,376
Haibin Pharma	16,830,835	Ordinary shares denominated in RMB	16,830,835
Industrial and Commercial Bank of China Limited – Fullgoal Military Industry Theme Mixed Securities Investment Fund (中國工商銀行股份有限公司－富國軍工主題混合型證券投資基金)	11,891,823	Ordinary shares denominated in RMB	11,891,823
Industrial and Commercial Bank of China –Zhong Ou Modern Pioneer Stock Initiating Securities Investment Fund (中國工商銀行股份有限公司－中歐時代先鋒股票型發起式證券投資基金)	7,206,547	Ordinary shares denominated in RMB	7,206,547
Norges Bank– Internal Funds (挪威中央銀行－自有資金)	7,123,478	Ordinary shares denominated in RMB	7,123,478
China Construction Bank Corporation – Anxin Value Selected Stock Securities Investment Fund (中國建設銀行股份有限公司－安信價值精選股票型證券投資基金)	6,910,732	Ordinary shares denominated in RMB	6,910,732
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
Tianjin Liren Investment Management Partnership Enterprise (Limited Partnership) – Liren Excellence Evergreen Phase II Private Equity Securities Investment Fund (天津禮仁投資管理合夥企業(有限合夥)－禮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
Description of connection or acting-in-concert relationship among the top 10 shareholders without selling restrictions and between the top 10 shareholders without selling restrictions and the top 10 ordinary shareholders	(1) On 2 January 2004, Joincare and Begol entered into a Share Transfer and Custody Agreement and a Share Pledge Agreement, pursuant to which the 6,059,428 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 margin financing and securities lending business (if any)	Not applicable		

Notes:

- The shareholdings of the above top 10 shareholders are listed in accordance with the data in the register of members as at 30 June 2021 provided by the CSDCC and Tricor Investor Services Limited in Hong Kong.
- HKSCC Nominees Limited is a nominee holder of H Shares of the Company, and the Company cannot ascertain whether such H Shares are subject to any pledge or lock-up, and such shareholdings held by HKSCC Nominees Limited on behalf of others included 163,364,672 H Shares held by Topsino, which was a wholly-owned subsidiary of Joincare, the controlling shareholder of the Company.

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

III. NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS IN THE COMPANY

(Continued)

Whether any of the top 10 ordinary shareholders and the top 10 ordinary shareholders without selling restrictions of the Company conducted any transactions on agreed repurchases during the Reporting Period

☐ Yes ☒ No

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

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

☒ Applicable ☐ Not applicable

Name	Position	Status of office	Number of shares held at the Beginning of the Period (shares)	Increase in shareholdings during the Period (shares)	Decrease in shareholdings during the Period (shares)	Other changes (shares)	Number of shares held at the End of the Period (shares)
Mr. Tao Desheng (陶德勝先生)	Vice Chairman, Non-executive Director	Current	707,750	–	–	–	707,750
Mr. Xu Guoxiang (徐國祥先生)	Vice Chairman, Executive Director, Vice President	Current	707,750	–	–	76,050	783,800
Mr. Tang Yanggang (唐陽剛先生)	Executive Director, President	Current	344,963	–	–	–	344,963
Mr. Yang Daihong (楊代宏先生)	Vice President	Current	468,979	–	–	–	468,979
Ms. Si Yanxia (司燕霞女士)	Vice President	Current	343,583	–	–	60,840	404,423
Mr. Zhou Peng (周鵬先生)	Vice President	Current	220,644	–	–	40,560	261,204
Ms. Huang Yuxuan (黃瑜璇女士)	Vice President	Current	99,828	–	–	–	99,828
Mr. Xu Peng (徐朋先生)	Vice President	Current	40,560	–	–	30,420	70,980
Mr. Yang Liang (楊亮先生)	Secretary to the Board, Vice President	Current	202,897	–	–	–	202,897
Total			3,136,954	–	–	207,870	3,344,824

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

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

V. AS AT 30 JUNE 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 (朱保國先生)	Interest of controlled corporation	255,513,953 A Shares ⁽¹⁾⁽²⁾ 163,364,672 H Shares ⁽¹⁾⁽³⁾	41.05% 52.15%	27.31% 17.46%
Mr. Tao Desheng (陶德勝先生)	Beneficial owner Interest of spouse	859,850 A Shares ⁽⁴⁾⁽²¹⁾ 207,646 A Shares ⁽⁵⁾⁽⁶⁾⁽²¹⁾ 1,067,496 A Shares		0.17% 0.11%
Mr. Xu Guoxiang (徐國祥先生)	Beneficial owner	859,850 A Shares ⁽⁷⁾⁽²¹⁾	0.14%	0.09%
Mr. Tang Yanggang (唐陽剛先生)	Beneficial owner	405,803 A Shares ⁽⁸⁾⁽²¹⁾	0.07%	0.04%

Interest in 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 (朱保國先生)	Baiyeyuan	Beneficial owner	72,000,000 (RMB) ⁽¹⁾	90.00% ⁽¹⁾
	Joincare	Interest of controlled corporation	895,653,653 shares ⁽¹⁾⁽⁹⁾	45.73% ⁽¹⁰⁾
	LivzonBio ⁽¹¹⁾	Interest of controlled corporation	294,000,000 (RMB) ⁽¹⁾⁽¹²⁾	33.07% ⁽¹¹⁾
	Livzon HK ⁽¹¹⁾	Interest of controlled corporation	4,000 shares ⁽¹⁾⁽¹³⁾	100.00% ⁽¹¹⁾
	Livzon MAB ⁽¹¹⁾	Interest of controlled corporation	1,453,330,000 (RMB) ⁽¹⁾⁽¹⁴⁾	100.00% ⁽¹¹⁾
Mr. Tang Yanggang (唐陽剛先生)	Xinbeijiang Pharmaceutical ⁽¹⁵⁾	Interest of controlled corporation	20,238,780 shares ⁽¹⁵⁾	8.44%
	Livzon Diagnostics ⁽¹⁶⁾	Interest of controlled corporation	8,382,100 shares ⁽¹⁶⁾	9.03%
Mr. Qiu Qingfeng (邱慶豐先生)	Joincare	Beneficial owner	717,409 shares ⁽¹⁸⁾	0.04%
Mr. Xu Guoxiang (徐國祥先生)	Livzon Diagnostics ⁽¹⁷⁾	Others	500,000 shares ⁽¹⁷⁾	0.54%
Mr. Yu Xiong (俞雄先生)	Joincare	Beneficial owner Interest of spouse	800,000 shares ⁽¹⁹⁾ 3,720 shares ⁽²⁰⁾ 803,720 shares	0.04%

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

V. AS AT 30 JUNE 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 is 45.73% held by Baiyeyuan which is in turn 90% held by Mr. Zhu Baoguo. Mr. Zhu Baoguo is deemed to be interested in the Shares of the Company and the equity interest of its associated corporations in which Joincare is or is deemed to be interested by virtue of the SFO.
- (2) Among these shares, 238,683,118 shares (in which 17,306,329 shares were directly transferred, entrusted and pledged by Begol in favor of 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., 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 are held directly by Joincare and its wholly-owned subsidiary, Haibin Pharma, respectively.
- (3) These shares are held directly by Topsino, a wholly-owned subsidiary of Joincare.
- (4) These shares include 152,100 share options, which are able to subscribe for 152,100 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.
- (5) These shares include 60,840 share options, which are able to subscribe for 60,840 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.
- (6) As these shares and underlying shares are held directly by Ms. Hou Xuemei, the spouse of Mr. Tao Desheng, Mr. Tao Desheng is deemed to be interested in these shares and underlying shares.
- (7) These shares include 76,050 share options, which are 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 include 60,840 share options, which are able to subscribe for 60,840 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.
- (9) Baiyeyuan held 895,653,653 shares of Joincare.
- (10) The total issued share capital of Joincare was 1,958,593,217 shares. Therefore, Baiyeyuan held 45.73% equity interest in Joincare.
- (11) LivzonBio is directly held as to 33.07% by Joincare. Livzon HK and Livzon MAB are directly held as to 100% by LivzonBio.
- (12) These equity interests are held by Joincare.
- (13) These shares are held by LivzonBio.
- (14) These equity interests are held by LivzonBio.

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

V. AS AT 30 JUNE 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 is directly held as to 87.14% by the Company, and directly held as to 8.44% (i.e. 20,238,780 shares) by Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥)), which is in turn directly held as to 45.50% by Mr. Tang Yanggang.
- (16) Livzon Diagnostics is directly held as to 39.425% by the Company, and as to 9.025% (i.e. 8,382,100 shares) by Zhuhai Liying Investment Management Partnership (Limited Partnership) (珠海麗英投資管理合夥企業(有限合夥)) ("Liying"), and Mr. Tang Yanggang is a general partner of Liying, who directly holds 19.9234% equity interest in Liying and has sole discretion to decide all matters of Liying.
- (17) Mr. Xu Guoxiang directly holds 5.9651% equity interest in Liying, and therefore Livzon Diagnostics is indirectly held as to 0.54% by Mr. Xu Guoxiang.
- (18) These shares include 180,000 share options, which are able to subscribe for 180,000 A shares of Joincare pursuant to the 2018 Share Options Incentive Scheme of Joincare.
- (19) These shares include 240,000 share options, which are able to subscribe for 240,000 A shares of Joincare pursuant to the 2018 Share Options Incentive Scheme of Joincare.
- (20) As these shares are held directly by Ms. Qian Lingyun (錢凌雲女士), the spouse of Mr. Yu Xiong, hence Mr. Yu Xiong is deemed to be interested in these shares.
- (21) For details of the aforesaid 2018 Share Options Incentive Scheme of the Company, please refer to the relevant information of the "XVII. SHARE OPTIONS INCENTIVE SCHEMES" in Section III of the Report.

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

VI. CHANGE OF CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLER

Change of Controlling Shareholder during the Reporting Period

☐ Applicable ☒ Not applicable

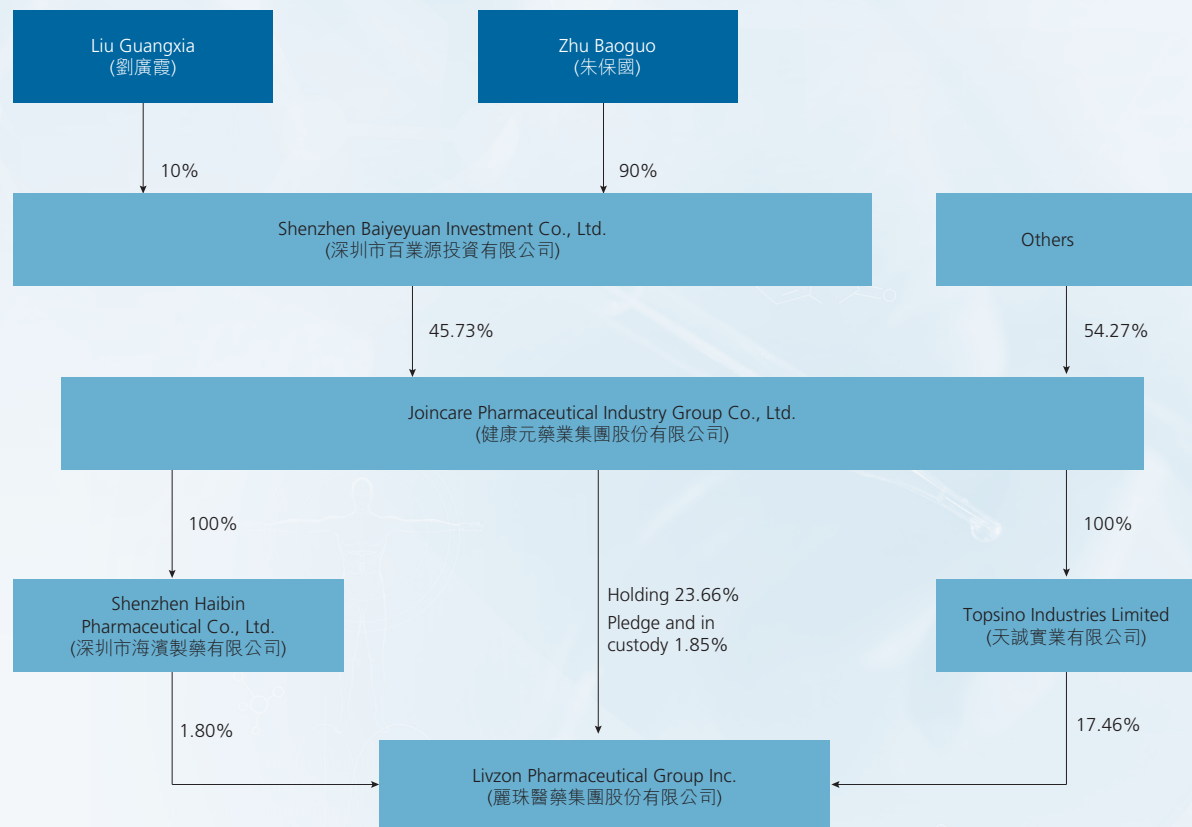
There was no change in the controlling shareholder of the Company during the Reporting Period.

Change of De Facto Controller during the Reporting Period

☐ Applicable ☒ Not applicable

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

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



Notes:

1. Mr. Zhu Baoguo (朱保國先生) is the spouse of Ms. Liu Guangxia (劉廣霞女士).
2. The second exercise period under the first grant of the 2018 Share Options Incentive Scheme of Joincare was from 21 December 2020 to 20 December 2021, while the first exercise period under the reserved grant was from 23 September 2020 to 22 September 2021, hence the share capital of Joincare changed to 1,958,593,217 shares as at 30 June 2021. Baiyeyuan held 895,653,653 shares of Joincare. Therefore, the shareholding in Joincare held by Baiyeyuan reduced from 45.87% to 45.73%.

SECTION VII CHANGES IN EQUITY AND SHAREHOLDERS

VII. AS AT 30 JUNE 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 corporation	255,513,953 A Shares ⁽¹⁾	Long position	41.05%	27.31%
	Interest of controlled corporation	163,364,672 H Shares ⁽²⁾	Long position	52.15%	17.46%
Ms. Liu Guangxia (劉廣霞女士)	Interest of spouse	255,513,953 A Shares ⁽³⁾	Long position	41.05%	27.31%
		163,364,672 H Shares ⁽³⁾	Long position	52.15%	17.46%
Joincare	Beneficial owner	221,376,789 A Shares	Long position		
	Interest of controlled corporation	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		41.05%	27.31%
	Interest of controlled corporation	163,364,672 H Shares ⁽²⁾	Long position	52.15%	17.46%
Topsino	Beneficial owner	163,364,672 H Shares	Long position	52.15%	17.46%

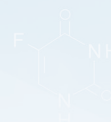
Notes:

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

SECTION VIII INFORMATION ON PREFERRED SHARES

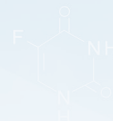
☐ Applicable ☒ Not applicable

The Company had no preferred shares during the Reporting Period.



SECTION IX INFORMATION ON BONDS

☐ Applicable ☒ Not applicable



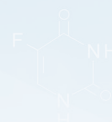
SECTION X FINANCIAL REPORT

I. AUDIT REPORT

Whether the interim report has been audited

☐ Yes ☒ No

The interim financial report of the Company is unaudited.



CONSOLIDATED AND COMPANY BALANCE SHEET

II. FINANCIAL STATEMENTS

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount at the End of the Period		Amount at the Beginning of the Year	
		Consolidated	Company	Consolidated	Company
Current assets:					
Monetary fund	V. 1	8,584,471,097.96	6,986,033,436.16	9,953,747,563.47	8,294,328,499.23
Financial assets held for trading	V. 2	240,934,298.66	15,165,448.12	25,984,877.13	8,754,494.72
Bills receivables	V. 3	1,310,227,427.33	806,591,503.61	1,148,944,595.17	688,384,493.33
Accounts receivables	V. 4	2,194,644,755.59	1,032,598,600.81	1,743,148,037.38	857,024,809.25
Receivables financing					
Prepayments	V. 5	342,433,394.28	29,047,315.69	142,174,129.24	13,438,567.51
Other receivables	V. 6	81,438,669.71	1,257,862,733.77	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	1,461,440,417.89	639,241,478.72	1,487,796,389.98	743,377,427.72
Contract assets					
Held-for-sale assets					
Non-current assets due within one year	V. 8			11,414,376.07	10,967,767.26
Other current assets	V. 9	42,724,060.86	734,406.95	39,862,609.49	8,628,913.28
Total current assets		14,258,314,122.28	10,767,274,923.83	14,627,356,983.21	11,995,222,512.86
Non-current assets:					
Debt investments					
Other debt investments					
Long-term receivables	V. 10	584,284.36		584,284.36	
Long-term equity investments	V. 11	957,697,742.75	3,615,326,024.73	245,115,479.10	2,138,934,119.37
Other equity instrument investments	V. 12	547,634,492.03	176,772,300.00	742,974,792.15	177,229,648.84
Other non-current financial assets					
Investment properties					
Fixed assets	V. 13	3,464,937,811.44	97,678,187.39	3,303,077,566.22	97,140,873.58
Construction in progress	V. 14	524,008,250.29		385,700,738.39	
Productive biological assets					
Oil and gas assets					
Right-of-use assets	V. 15	16,708,305.41	1,033,140.24	18,311,378.07	311,775.51
Intangible assets	V. 16	266,997,266.26	31,518,247.45	236,430,749.15	32,690,639.64
Development expenditure	V. 17	247,899,932.40	9,651,361.97	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	129,697,439.73	6,957,605.37	122,101,772.58	5,669,100.62
Deferred income tax	V. 20	206,826,562.25	54,628,897.69	238,226,789.25	59,140,301.69
Other non-current assets	V. 21	334,483,916.02	70,490,432.70	316,505,551.82	71,540,318.35
Total non-current assets		6,800,516,500.79	4,064,056,197.54	5,963,458,808.51	2,585,483,411.48
Total assets		21,058,830,623.07	14,831,331,121.37	20,590,815,791.72	14,580,705,924.34

CONSOLIDATED AND COMPANY BALANCE SHEET

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount at the End of the Period		Amount at the Beginning of the Year	
		Consolidated	Company	Consolidated	Company
Current liabilities:					
Short-term loans	V. 22	1,761,919,976.54	1,290,704,871.11	1,550,942,804.06	800,000,000.00
Financial liabilities held for trading	V. 23	481,103.14		212.07	
Bills payables	V. 24	1,174,176,103.65	115,108,537.08	918,007,030.57	559,442,600.00
Accounts payables	V. 25	687,603,565.78	709,095,437.69	706,786,957.67	819,355,678.26
Receipts in advance					
Contract liabilities	V. 26	62,413,725.75	8,198,849.81	104,445,427.26	17,320,724.48
Employee benefits payables	V. 27	162,658,572.78	41,472,165.48	363,416,250.83	154,616,789.30
Tax and surcharge payables	V. 28	216,180,937.64	39,681,206.45	248,815,907.94	8,558,343.08
Other payables	V. 29	2,405,547,261.30	4,757,276,491.97	2,175,668,243.15	4,581,163,106.97
Of which: Interest payable					
Dividends payable		27,419,951.42	20,488,141.42	8,418,590.50	20,174.46
Held-for-sale liabilities					
Non-current liabilities due within one year	V. 30	10,033,022.95	884,272.00	8,539,077.05	103,840.00
Other current liabilities	V. 31	4,754,676.57	1,052,660.33	6,267,034.79	2,238,737.90
Total current liabilities		6,485,768,946.10	6,963,474,491.92	6,082,888,945.39	6,942,799,819.99
Non-current liabilities:					
Long-term loans	V. 32	638,453,815.00	638,453,815.00	360,324,027.48	360,324,027.48
Notes payables					
Leasing liabilities	V. 33	7,087,024.57	164,316.82	10,099,025.42	212,080.58
Long-term payables					
Long-term employee benefits payables					
Provisions					
Deferred gains	V. 34	273,733,415.45	79,560,800.00	276,141,923.64	68,810,800.00
Deferred income tax liabilities	V. 20	121,996,623.10	28,827,224.28	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		1,119,270,878.12	747,006,156.10	867,844,851.85	456,456,889.85
Total liabilities		7,605,039,824.22	7,710,480,648.02	6,950,733,797.24	7,399,256,709.84
Share capital	V. 36	935,754,039.00	935,754,039.00	944,835,396.00	944,835,396.00
Other equity instruments					
Of which: Preferred shares					
Perpetual bonds					
Capital reserve	V. 37	1,294,359,103.92	1,634,314,295.01	1,560,369,717.69	1,915,592,581.88
Less: Treasury shares	V. 38			250,061,413.16	250,061,413.16
Other consolidated earnings	V. 39	23,095,216.08	81,244,625.72	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	9,003,193,941.68	3,929,699,413.05	8,937,313,245.63	3,949,999,923.49
Total equity attributable to shareholders of the parent company		12,001,203,454.83	7,120,850,473.35	12,107,241,900.87	7,181,449,214.50
Minority interests		1,452,587,344.02		1,532,840,093.61	
Total shareholders' (or owners') equity		13,453,790,798.85	7,120,850,473.35	13,640,081,994.48	7,181,449,214.50
Total liabilities and shareholders' (or owners') equity		21,058,830,623.07	14,831,331,121.37	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

CONSOLIDATED AND COMPANY INCOME STATEMENT

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Period		Amount for the Previous Period	
		Consolidated	Company	Consolidated	Company
I. Operating income	V. 42	6,235,531,036.28	3,204,163,965.06	5,095,238,317.69	2,024,372,916.39
Less: Operating costs	V. 42	2,125,112,700.49	2,149,775,629.79	1,733,841,353.17	1,349,422,326.45
Tax and surcharge	V. 43	70,968,408.44	17,883,021.25	58,257,502.74	8,101,176.21
Selling expenses	V. 44	2,045,170,075.55	699,013,005.74	1,414,807,205.96	715,411,096.19
Administrative expenses	V. 45	290,077,542.12	108,746,908.19	294,150,602.43	102,901,259.75
R&D expenses	V. 46	506,868,876.08	143,610,432.33	306,436,137.69	99,411,197.41
Finance expenses	V. 47	-25,013,781.78	-20,211,086.36	-89,402,680.69	-76,200,183.05
Of which: Interest expenses		36,051,011.53	38,328,782.85	7,012,674.28	9,185,485.63
Interest income		65,140,139.66	57,429,707.36	96,201,073.75	86,477,468.28
Add: Other income	V. 48	116,722,053.14	83,897,281.20	104,846,562.33	66,944,964.63
Investment income	V. 49	35,103,261.85	945,583,772.51	112,652,614.84	944,718,999.64
("-" represents losses)					
Of which: Income from investments in associates and joint ventures		5,963,636.97	2,671,761.75	-4,702,830.92	-10,688,874.26
Derecognition of income from financial assets at amortized cost ("-" represents losses)					
Gains from hedging net exposure ("-" represents losses)					
Gains from changes in fair value ("-" represents losses)	V. 50	34,795,898.95	6,410,953.40	-4,551,829.33	303,243.04
Credit impairment loss ("-" represents losses)	V. 51	-8,579,230.48	-2,413,392.31	-7,185,319.32	-9,645,505.72
Asset impairment loss ("-" represents losses)	V. 52	-28,613,112.79	-13,043,624.08	-13,267,639.71	-1,695,239.80
Gains from disposal of assets ("-" represents losses)	V. 53	317,121.46	64,434.24	-83,421.97	-49,748.44
II. Operating profit ("-" represents losses)		1,372,093,207.51	1,125,845,479.08	1,569,559,163.23	825,902,756.78
Add: non-operating income	V. 54	3,794,776.71		904,921.05	1,684.63
Less: non-operating expenditure	V. 55	4,721,985.89	2,030,277.87	12,815,982.32	10,709,177.36
III. Total profit ("-" represents net losses)		1,371,165,998.33	1,123,815,201.21	1,557,648,101.96	815,195,264.05
Less: income tax expenses	V. 56	191,384,563.50	9,888,976.64	226,919,520.61	-15,233,201.44
IV. Net profit ("-" represents net losses)		1,179,781,434.83	1,113,926,224.57	1,330,728,581.35	830,428,465.49
(I) Classified by continuing operations:					
Of which: Net profit from continuing operations ("-" represents net losses)		1,179,781,434.83	1,113,926,224.57	1,330,728,581.35	830,428,465.49
Net profit from discontinued operations ("-" represents net losses)					
(II) Classified by attribution to ownership:					
Of which: Net profit attributable to shareholders of the parent company ("-" represents net losses)		1,062,475,917.41	1,113,926,224.57	1,004,743,610.08	830,428,465.49
Profit and loss attributable to minority interests ("-" represents net losses)		117,305,517.42		325,984,971.27	

CONSOLIDATED AND COMPANY INCOME STATEMENT

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Period		Amount for the Previous Period	
		Consolidated	Company	Consolidated	Company
V. Other comprehensive net income after taxation		-147,548,852.00		25,670,889.38	
Other comprehensive net income after taxation attributable to shareholders of the parent company		-146,888,584.48		25,346,732.54	
(I) Other comprehensive income not to be reclassified into profit or loss		-135,902,397.80		18,436,298.01	
1. Changes in remeasurement of defined benefit plans					
2. Other comprehensive income not to be reclassified into profit or loss under equity method					
3. Changes in fair value of other equity instruments		-135,902,397.80		18,436,298.01	
4. Changes in fair value of enterprise's own credit risk					
5. Others					
(II) Other comprehensive income to be reclassified as profit or loss		-10,986,186.68		6,910,434.53	
1. Other comprehensive income to be reclassified into profit or loss under equity method					
2. Changes in fair value of other debt investments					
3. Financial assets reclassified into other comprehensive income					
4. Credit impairment provision for other debt investments					
5. Reserve for cash flow hedging (effective portion of profit or loss from cash flow hedging)					
6. Translation difference of financial statements denominated in foreign currency		-10,986,186.68		6,910,434.53	
7. Others					
Other comprehensive net income after taxation attributable to shareholders of the parent company		-660,267.52		324,156.84	
VI. Total comprehensive income		1,032,232,582.83	1,113,926,224.57	1,356,399,470.73	830,428,465.49
Total comprehensive income attributable to shareholders of the parent company		915,587,332.93	1,113,926,224.57	1,030,090,342.62	830,428,465.49
Total comprehensive income attributable to minority interests		116,645,249.90		326,309,128.11	
VII. Earnings per share					
(I) Basic earnings per share	V. 57	1.14		1.07	
(II) Diluted earnings per share	V. 57	1.14		1.07	

Chairman of the Board and Legal Representative: Zhu Baoguo

Executive Director and President: Tang Yanggang

Chief Financial Officer: Si Yanxia

Head of Accounting Department: Zhuang Jianying

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Period		Amount for the Previous Period	
		Consolidated	Company	Consolidated	Company
I. Cash flow from operating activities:					
Cash received from sale of goods and services rendered		5,989,539,829.18	3,277,321,735.07	5,020,092,292.00	2,193,250,420.19
Refund of taxes and levies		56,845,213.59		47,798,879.37	723,380.09
Cash received relating to other operating activities	V. 58	218,720,541.78	168,550,395.45	246,587,433.18	170,323,421.64
Subtotal of cash inflow from operating activities		6,265,105,584.55	3,445,872,130.52	5,314,478,604.55	2,364,297,221.92
Cash paid for purchase of goods and services rendered		1,362,682,898.81	2,850,009,849.42	1,441,100,245.75	1,500,470,392.47
Cash paid to and on behalf of employees		829,109,592.85	326,039,339.30	586,734,048.37	165,911,351.66
Payments for various taxes and levies		717,133,954.08	128,471,016.09	573,785,981.87	66,128,472.27
Cash paid relating to other operating activities	V. 58	2,681,268,146.73	747,545,161.11	1,839,281,392.50	691,350,908.58
Subtotal of cash outflow from operating activities		5,590,194,592.47	4,052,065,365.92	4,440,901,668.49	2,423,861,124.98
Net cash flow from operating activities		674,910,992.08	-606,193,235.40	873,576,936.06	-59,563,903.06
II. Cash flow from investing activities:					
Cash received from disposal of investments		110,302,936.39	210,365,906.70	132,507,500.30	132,507,500.30
Cash received on investment income		63,858,785.91	1,078,229,204.72	14,470,694.01	87,740,406.56
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		938,953.00	3,052,239.07	1,092,140.00	153,150.00
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	122,600.00		20,058,016.38	
Subtotal of cash inflow from investing activities		178,534,495.83	1,291,647,350.49	173,467,414.64	235,401,056.86
Cash payments for acquisition of fixed assets, intangible assets and other long-term assets		484,186,495.42	31,514,564.09	205,529,839.45	20,700,265.39
Cash payments for investments		744,000,000.00	1,671,650,503.58	71,332,723.74	3,000,000.00
Net cash paid for acquisition of subsidiaries and other operating units					
Cash paid relating to other investing activities	V. 58	1,566,246.09	1,163,800.00	3,537,944.44	
Subtotal of cash outflow from investing activities		1,229,752,741.51	1,704,328,867.67	280,400,507.63	23,700,265.39
Net cash flow from investing activities		-1,051,218,245.68	-412,681,517.18	-106,933,092.99	211,700,791.47

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Period		Amount for the Previous Period	
		Consolidated	Company	Consolidated	Company
III. Cash flow from financing activities:					
Cash received from absorption of investments		699,719,196.52	104,009,715.52	126,175,197.44	121,175,197.44
Of which: Cash received by subsidiaries from investments of minority interests		595,709,481.00			
Cash received from borrowings		1,211,215,105.43	770,000,000.00	543,579,914.03	100,000,000.00
Cash received relating to other financing activities	V. 58	1,211,582.95	176,534,700.66	4,933,246.35	224,573,269.91
Subtotal of cash inflow from financing activities		1,912,145,884.90	1,050,544,416.18	674,688,357.82	445,748,467.35
Cash paid on repayment of debts		722,584,146.53	1,700,000.00	1,629,711,030.60	1,250,000,000.00
Cash paid for distribution of dividends and profit or interest payments		1,372,407,480.39	1,170,233,887.34	1,145,452,006.46	1,061,756,974.75
Of which: Dividends and profits paid to minority interests by subsidiaries		197,466,606.04		81,760,934.22	
Cash paid relating to other financing activities	V. 58	787,442,823.90	169,010,035.99	243,439,270.82	243,439,270.82
Subtotal of cash outflow from financing activities		2,882,434,450.82	1,340,943,923.33	3,018,602,307.88	2,555,196,245.57
Net cash flow from financing activities		-970,288,565.92	-290,399,507.15	-2,343,913,950.06	-2,109,447,778.22
IV. Effect of changes in foreign exchange rates on cash and cash equivalents		-22,054,962.00	1,322,421.82	3,053,184.67	-1,212,570.77
V. Net increase in cash and cash equivalents		-1,368,650,781.52	-1,307,951,837.91	-1,574,216,922.32	-1,958,523,460.58
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		8,583,399,208.56	6,985,987,071.95	7,279,968,931.22	5,814,395,442.60

Chairman of the Board and Legal Representative: Zhu Baoguo

Executive Director and President: Tang Yanggang

Chief Financial Officer: Si Yanxia

Head of Accounting Department: Zhuang Jianying

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Period												
	Shareholders' equity attributable to shareholders of the parent company												
	Other equity instruments					Total shareholders' equity							
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions	Undistributed profits	Minority interest	shareholders' equity
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													
Merger of enterprises under common control													
Others													
II. Balance at the beginning of the year	944,835,396.00				1,560,369,717.69	250,061,413.16	169,983,800.56	744,801,154.15			8,937,313,245.63	1,532,840,093.61	13,640,081,994.48
III. Increase/decrease during the period ("-" represents decreases)	-9,081,357.00				-266,010,613.77	-250,061,413.16	-146,888,584.48				65,880,696.05	-80,252,749.59	-186,291,195.63
(I) Total comprehensive income													
(II) Capital contributed and reduced by shareholders	-9,081,357.00				-269,894,391.64	-250,061,413.16	-146,888,584.48				1,062,475,917.41	116,645,249.90	1,032,232,582.83
1. Ordinary shares contributed by shareholders	3,641,051.00				124,537,459.62	166,649,532.40					619,072,191.00	3,467,730.49	580,601,169.22
2. Capital contributed by holders of other equity instruments													
3. Share-based equity-settled payments					9,556,686.30							2,657,730.49	12,214,416.79
4. Others	-12,722,408.00				-403,988,537.56	-416,710,945.56					-1,168,522,010.83	-618,262,191.00	-618,262,191.00
(III) Profit distribution													
1. Transfer of surplus reserve													
2. Provision to general risk reserve													
3. Distribution to shareholders													
4. Others													
(IV) Internal transfer of shareholders' equity													
1. Transfer of capital reserve to share capital													
2. Transfer of surplus reserve to share capital													
3. Compensate losses by surplus reserve													
4. Changes in defined benefit plans transferred to retained earnings													
5. Other comprehensive income transferred to retained earnings													
6. Others													
(V) Special reserve													
1. Extraction during the period													
2. Amount used during the period													
(VI) Others													
IV. Balance as at the end of the period	935,754,039.00				3,883,777.87		23,095,216.08	744,801,154.15			9,003,193,941.68	-4,365,729.98	-481,952.11
					1,294,359,103.92							1,452,587,344.02	13,453,790,798.85

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Previous Period											
	Shareholders' equity attributable to shareholders of the parent company											
	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions	Undistributed profits	Minority interest	Total shareholders' equity
Share capital	Preferred shares	Perpetual bonds	Others									
I. Balance as at the end of the previous year	934,762,675.00			1,163,404,748.17		26,403,971.65		623,178,443.29		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												
Merger of enterprises under common control												
Others												
II. Balance at the beginning of the year	934,762,675.00			1,163,404,748.17		26,403,971.65		623,178,443.29		8,419,002,908.40	1,108,485,127.19	12,275,237,573.70
III. Increase/decrease during the period	6,010,786.00			212,147,225.49	243,439,270.82	25,346,732.54				-70,233,432.19	329,841,597.12	259,673,638.14
(I) Total comprehensive income												
(II) Capital contributed and reduced by shareholders	6,010,786.00			222,724,493.69	243,439,270.82	25,346,732.54				1,004,743,610.08	326,309,128.11	1,356,399,470.73
1. Ordinary shares contributed by shareholders	6,010,786.00			211,339,235.76	243,439,270.82						7,921,116.71	-6,782,874.42
2. Capital contributed by holders of other equity instruments											6,666,667.00	-19,422,382.06
3. Share-based equity-settled payments												
4. Others												
(III) Profit distribution												
1. Transfer of surplus reserve												
2. Provision to general risk reserve												
3. Distribution to shareholders										-1,074,977,042.27	1,254,449.71	12,639,707.64
4. Others												
(IV) Internal transfer of shareholders' equity												
1. Transfer of capital reserve to share capital										-1,074,977,042.27		-1,074,977,042.27
2. Transfer of surplus reserve to share capital												
3. Compensate losses by surplus reserve												
4. Changes in defined benefit plans transferred to retained earnings												
5. Other comprehensive income transferred to retained earnings												
6. Others												
(V) Special reserve												
1. Extraction during the period												
2. Amount used during the period												
Others												
IV. Balance as at the end of the period	940,773,461.00			1,375,551,973.66	243,439,270.82	51,750,704.19		623,178,443.29		8,348,769,476.21	-4,388,647.70	-14,965,915.90
											1,438,326,724.31	12,534,911,217.84

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

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Period						
	Share capital	Preferred shares	Perpetual bonds	Other equity instruments	Less: Treasury shares	Other comprehensive income	Total shareholders' equity
I. Balance as at the end of the previous year	944,835,396.00						
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						
III. Increase/decrease during the period ("—" represents decreases)							
(I) Total comprehensive income							
(II) Capital contributed and reduced by shareholders							
1. Ordinary shares contributed by shareholders	-9,081,357.00						
2. Capital contributed by holders of other equity instruments	3,644,051.00						
3. Share-based equity-settled payments							
4. Others							
(III) Profit distribution							
1. Transfer of surplus reserve							
2. Provision to general risk reserve							
3. Distribution to shareholders							
4. Others							
(IV) Internal transfer of shareholders' equity							
1. Transfer of capital reserve to share capital							
2. Transfer of surplus reserve to share capital							
3. Compensate losses by surplus reserve							
4. Changes in defined benefit plans transferred to retained earnings							
5. Other comprehensive income transferred to retained earnings							
6. Others							
(V) Special reserve							
1. Extraction during the period							
2. Amount used during the period							
Others							
IV. Balance as at the end of the period	935,754,039.00						

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Previous Period						Total shareholders' equity
	Share capital	Preferred shares	Perpetual bonds	Other equity instruments	Capital reserve	Less: Treasury shares	
			Others	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits
I. Balance as at the end of the previous year	934,762,675.00			31,474,909.33	418,215,089.71	3,937,200,218.94	6,849,662,894.22
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			31,474,909.33	418,215,089.71	-6,830,350.96	-6,830,350.96
III. Increase/decrease during the period	6,010,786.00					3,930,369,867.98	6,842,232,943.26
(*) represents decreases						-244,548,576.78	-270,646,289.76
(I) Total comprehensive income							
(II) Capital contributed and reduced by shareholders	6,010,786.00						
1. Ordinary shares contributed by shareholders	6,010,786.00						
2. Capital contributed by holders of other equity instruments							
3. Share-based equity-settled payments							
4. Others							
(III) Profit distribution							
1. Transfer of surplus reserve							
2. Provision to general risk reserve							
3. Distribution to shareholders							
4. Others							
(IV) Internal transfer of shareholders' equity							
1. Transfer of capital reserve to share capital							
2. Transfer of surplus reserve to share capital							
3. Compensate losses by surplus reserve							
4. Changes in defined benefit plans transferred to retained earnings							
5. Other comprehensive income transferred to retained earnings							
6. Others							
(V) Special reserve							
1. Extraction during the period							
2. Amount used during the period							
(VI) Others							
IV. Balance as at the end of the period	940,773,461.00			31,474,909.33	418,215,089.71	3,685,821,291.20	-10,577,268.20
							6,571,586,253.50

Chairman of the Board and Legal Representative: Zhu Baoguo

Executive Director and President: Tang Yanggang

Chief Financial Officer: Si Yanxia

Head of Accounting Department: Zhuang Jianying

NOTES TO THE FINANCIAL STATEMENTS

I. COMPANY PROFILE

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 the "Joicare Group") entered into an equity transfer agreement and an equity pledge agreement with Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司), pursuant to which, Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司) directly transferred and pledged the 38,917,518 domestic legal person shares of the Company (representing 12.72% of the total share capital in the Company) to Joicare Group (健康元集團). On 3 August 2006, the procedures for the transfer of the 38,917,518 domestic legal person shares to Joicare Group (健康元集團) were completed.

NOTES TO THE FINANCIAL STATEMENTS

I. COMPANY PROFILE *(Continued)*

1. Overview *(Continued)*

As at 31 December 2012, Joincare Group (健康元集團) and its subsidiaries held a total of 140,122,590 shares of the Company through transfer agreements and direct purchase from the secondary market, representing 47.3832% of the total share capital of the Company, therefore it became the largest shareholder of the Company and had de facto control in the Company. Of which, 6,059,428 legal person shares held in the name of Guangzhou Begol Trading Holdings Limited (廣州市保科力貿易公司) did not complete the procedures for the transfer to Joincare Group (健康元集團).

In the 2008 First Extraordinary General Meeting, the Company considered and approved “the Resolution on Repurchase of Domestically Listed Foreign Shares (B Shares) of the Company”. As at 2 December 2009 (the expiry date of implementing the repurchase), the Company accumulatively repurchased 10,313,630 B Shares. On 4 December 2009, the Company completed the cancellation of the repurchased shares with 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.

NOTES TO THE FINANCIAL STATEMENTS

I. COMPANY PROFILE *(Continued)*

1. Overview *(Continued)*

Pursuant to “the Resolution on Granting the Reserved Restricted Shares to Incentive Participants” considered and approved by the 18th Meeting of the 8th Session of the Board on 12 November 2015, 177 restricted shares incentive participants exercised the options and the actual number of 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.

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, 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.

NOTES TO THE FINANCIAL STATEMENTS

I. COMPANY PROFILE *(Continued)*

1. Overview *(Continued)*

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.

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, the Company repurchased 2,028 shares at a price of RMB12.43 per share. After the repurchase and canceling of the shares, 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 13,713,772 as at 30 June 2021, the total number of repurchased shares cancelled was 12,722,408 shares as at 30 June 2021, and the total share capital of the Company was changed to 935,754,039 shares.

The Company is engaged in the pharmaceutical manufacturing industry.

The nature of business and principal activities of the Company and its subsidiaries (the “Group”): primarily engaged in the 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 Group.

NOTES TO THE FINANCIAL STATEMENTS

I. COMPANY PROFILE *(Continued)*

1. Overview *(Continued)*

The financial statements and notes to the financial statements of the Company were approved at the 23rd Meeting of the 10th Session of the Board on 24 August 2021.

2. Scope of consolidated financial statements

Please refer to Note VII "Equity in other entities" for names of subsidiaries included in the consolidation for the first six months of 2021. Two subsidiaries were included in the consolidation during the Period when compared with the previous year while two subsidiaries were excluded. Please refer to Note VI "Change to consolidation scope" for details.

II. BASIS OF PREPARATION FOR THE FINANCIAL STATEMENTS

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

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

The Group's accounting is measured on an accrual basis. Except for certain financial instruments, these financial statements are generally measured at historical cost. In case of asset impairment, the Group shall make provisions for impairment in accordance with applicable provisions.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group determines capitalization condition of R&D expenses and revenue recognition policies on the basis of its production and operation characteristics. Details of accounting policies are set out in Note III.21 and Note III.28.

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

The financial statements comply with the Accounting Standards for Business Enterprises, which gave a true and complete view of the consolidated and the Company's financial position as at 30 June 2021, and the consolidated and the Company's operating results and the consolidated and the Company's cash flow and other relevant information for the first six months of 2021.

2. Accounting period

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

3. Business cycle

business cycle of the Group consists of 12 months, which is the classification standard for the liquidity of assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

4. Functional currency

The Company and its domestic subsidiaries use RMB as their functional currency according to the primary economic environment in which they operate. The functional currency of the Company and its domestic subsidiaries is Renminbi ("RMB"). Overseas subsidiaries of the Company usually recognise HK dollar, Macau dollar and US dollar as their functional currencies according to the primary economic environment in which these subsidiaries operate. The Group prepares its financial statements in RMB.

5. Accounting 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 recognized 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.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

5. Accounting treatment for business combinations (Continued)

(2) Business combinations involving enterprises not under common control

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

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

Business combination involving enterprises not under common control and achieved in 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 recognized using equity method on the acquisition date, and such investment will be accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the investee at the time of disposal. Shareholder's equity recognized due to the changes of other shareholder's equity other than the changes of net loss and profit, other comprehensive income and profit distribution shall be transferred to profit or loss for current period when disposed. If the equity investment held prior to the acquisition date is measured at fair value, the cumulative changes in fair value recognized in other comprehensive income shall be transferred to profit or loss for current period when accounted for using cost method.

In the consolidated financial statements, the combination cost is the sum of consideration paid on the acquisition date and fair value of the acquiree's equity held prior to the acquisition date. The equity of the acquirees held before the acquisition date is re-measured at the fair value of the equity on the acquisition date and the differences between the fair value and the carrying amount are recognised in the income for the current period; in respect of any other comprehensive income attributable to the equity interest in the acquiree held prior to the acquisition date and any changes of other shareholder's equity shall be transferred to investment profit or loss for current period on the acquisition date, except for the other comprehensive income incurred due to the changes arising from remeasuring net assets or net liabilities of defined benefit plan attributable to the acquiree.

(3) 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.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

6. Preparation of consolidated financial statements

(1) Scope of consolidation

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

(2) Method for preparation of the consolidated financial statements

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

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

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

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

The difference between the long-term equity investments costs acquired by the purchase of minority interests and the share of the net assets that the subsidiaries have to continue to calculate from the date of purchase or the date of consolidation in proportion to the new shareholding ratio, and the difference between the disposal of 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.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

6. Preparation of consolidated financial statements (Continued)

(4) Treatment of loss of control of subsidiaries (Continued)

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

(5) Treatment of disposal through several transactions until 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.

NOTES TO THE FINANCIAL STATEMENTS

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 Group's joint arrangement is classified into the joint operation and the joint venture.

(1) Joint operation

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

The Group recognizes the following items in relation to its interest in a joint operation, and makes corresponding accounting treatment in accordance with relevant accounting standards:

- A. The solely-held assets, and the share of any assets held jointly;
- B. The solely-assumed liabilities, and its share of any liabilities incurred jointly;
- C. Its revenue from the sale of its share of the output arising from the joint operation;
- D. Its share of the revenue from the sale of the output by the joint operation;
- E. The solely-incurred expenses, including its share of any expenses incurred jointly.

(2) Joint ventures

A joint venture is a joint arrangement whereby the Group only entitled to the net assets of the arrangement.

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

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

9. Foreign currency transactions and translation of financial statements in foreign currency

(1) Foreign currency transactions

Foreign currency transactions incurred by the Group are translated to the functional currency at the spot exchange rates on the date of the transactions upon initial recognition, which is normally the median exchange rate quoted by the People's Bank of China on that day and the same below; provided that the foreign currency exchange business or the transactions involving foreign currency exchange incurred by the Company are translated to the functional currency at the actual exchange rates.

Monetary items denominated in foreign currencies are translated to functional currency at the spot exchange rate on the balance sheet date. Exchange differences arising from the differences between the spot exchange rate prevailing at the balance sheet date and those spot rates used on initial recognition or at the previous balance sheet date are recognised in profit or loss for the current period; non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rate on the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rate on the date the fair value is determined; the resulting exchange differences between the amounts in functional currency upon translation and in original functional currency are recognised in profit or loss for the current period.

(2) Translation of financial statements in foreign currency

At the balance sheet date, when translating the foreign currency financial statements of overseas subsidiaries, the assets and liabilities in the balance sheet are translated at the spot exchange rate at the balance sheet date; all items except for "undistributed profits" of the shareholders' equity are translated at the spot exchange rate on the transaction date.

The revenue and expenses in profit or loss are translated at the spot exchange rate on the transaction date.

All items in the statement of cash flows are translated at the spot exchange rate on the transaction date. The effect of exchange difference on cash is adjusted and separately presented as "Effect of changes in foreign exchange rates on cash and cash equivalents" in the cash flow statement.

The exchange differences arising from translation of the financial statements are presented as the "other comprehensive income" in the shareholders' equity of the balance sheet.

When the Group disposes of the overseas operation and loses control, the differences arising from the translation of the financial statements in foreign currency that have been presented under the shareholders' equity in the balance sheet and involving such overseas operation are carried forward to the profit or loss for the current period in whole or in the proportion of the disposal of the overseas operation.

NOTES TO THE FINANCIAL STATEMENTS

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 De-recognition of financial instruments

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

The financial assets will be de-recognised if any of the following conditions is satisfied:

- ① The contractual right to receive the cash flow of the financial assets is terminated;
- ② The financial assets 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 Group (as the debtor) and the lender have signed an agreement which uses a new financial liability to replace the existing financial liability, and the contract terms of the new financial liability are substantially different with the original financial liability, the original financial liability shall be de-recognised, and the new financial liability shall be recognised at the same time.

The regular transactions of the financial assets are recognised and derecognised at the transaction date.

(2) Classification and measurement of financial assets

The Group classifies financial assets into three categories: financial assets at amortised cost; financial assets at fair value through other comprehensive income; and financial assets at fair value through profit or loss based on the business model for managing financial assets and their contractual cash flow characteristics upon initial recognition.

① Financial assets at amortised cost

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

- A. The Group's business model for managing the financial assets is to collect contractual cash flow;
- B. The terms of the financial asset contract stipulate that the cash flow generated on a specific date is only the payment for principal and interest accrued on the outstanding principal.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets which are measured at amortised cost and not part of any hedging relationship are included in the profit and loss of the current period upon de-recognition, amortization using the effective interest method, or impairments recognition.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

10. Financial instruments (Continued)

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

② Financial assets at fair value through other comprehensive income

The Group shall classify financial assets that meet the following conditions and are not designated as financial assets measured at fair value through profit or loss for the current period as financial assets measured at fair value through other comprehensive income:

- A. The Group's business model for managing the financial assets is both to collect contractual cash flows and to sell the financial assets;
- B. The terms of the financial asset contract stipulate that the cash flow generated on a specific date is only the payment for principal and interest accrued on the outstanding principal.

After initial recognition, these financial assets are subsequently measured at fair value. Interest, impairment losses or gains and exchange losses and gains calculated using the effective interest method are recognised in profit or loss for the current period, while other gains or losses are recognised in other comprehensive income. The cumulative profit or loss previously included in other comprehensive income will be transferred to the profit or loss for the current period upon derecognition of the financial assets.

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

In addition to the above financial assets which are measured at amortized cost or at fair value through other comprehensive income, the Group classifies all other financial assets as financial assets measured at fair value through profit or loss for the current period. When initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Group irrevocably designates some financial assets that should have been measured at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss for the current period.

After initial recognition, these financial assets are subsequently measured at fair value, and the profits or losses (including interest and dividend income) generated from which are recognised in profit or loss for the current period, unless the financial assets are part of the hedging relationship.

However, with respect to non-trading equity instrument investments, the Group may irrevocably designate them as financial assets measured at fair value through other comprehensive income at initial recognition. The designation is made on the basis of individual investment, and the relevant investment conforms to the definition of equity instruments from the issuer's point of view.

After initial confirmation, financial assets are subsequently measured at fair value. Dividend income that meets the requirements is recognised in profit and loss, and other gains or losses and changes in fair value are recognised in other comprehensive gains. When derecognized, the accumulated gains or losses previously recognised in other comprehensive gains are transferred from other comprehensive gains to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

10. Financial instruments (Continued)

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

③ Financial assets at fair value through profit or loss for the current period (Continued)

The business model of managing financial assets refers to how the Group manages financial assets to generate cash flow. The business model decides whether the source of cash flow of financial assets managed by the Group is to collect contract cash flow, sell financial assets or both of them. Based on objective facts and the specific business objectives of financial assets management decided by key managers, the Group determines the business model of financial assets management.

The Group evaluates the characteristics of the contract cash flow of financial assets to determine whether the contract cash flow generated by the relevant financial assets on a specific date is only to pay principal and interest based on the amount of unpaid principal. Among them, principal refers to the fair value of financial assets at the time of initial confirmation; interest includes the consideration of time value of money, credit risk related to the amount of unpaid principal in a specific period, and other basic borrowing risks, costs and profits. In addition, the Group evaluates the terms and conditions of the contracts that may lead to changes in the time distribution or amount of cash flow in financial asset contracts to determine whether they meet the requirements of the above contract cash flow's characteristics.

Only when the Group changes its business model of managing financial assets, all the financial assets affected shall be reclassified on the first day of the first reporting period after the business model changes, otherwise, financial assets shall not be reclassified after initial confirmation.

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

(3) Classification and measurement of financial liabilities

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

① Financial liabilities at fair value through profit or loss

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

② Financial liabilities at amortised cost

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

NOTES TO THE FINANCIAL STATEMENTS

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

The financial liability is the liability that meets one of following criteria:

- A. Contractual obligation to deliver cash or other financial instruments to another entity.
- B. Under potential adverse condition, contractual obligation to exchange financial assets or financial liabilities with other parties.
- C. A contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments.
- D. A derivative that will or may be settled other than by the exchange of 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 Group 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 Group's own equity instrument, the Group should consider whether the Group's equity instrument as the settlement instrument is a substitute of cash or other financial assets or the residual interest in the assets of the Group after deducting all of its liabilities. If the former, the tool is the Group's financial liability; if the latter, the tool is the equity instrument of the Group.

(4) Derivative financial instruments and embedded derivatives

The Group's derivative financial instruments include forward foreign exchange contracts and are initially measured at fair value on the date of the derivative contract signed and are subsequently measured at fair value. A derivative with positive fair value shall be recognized as an asset, otherwise that with negative fair value shall be recognized as a liability. Any profit or loss arising from changes of fair value and not compliance with the accounting provision of hedge shall be recognized as profit or loss for current period.

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 and its changes are included in the profit and loss for the current period for accounting purposes, there is no close relation between the embedded derivatives and the host contract in terms of economic features and risks, and the instrument that has the same condition with the embedded derivatives and exists independently meets the definition of derivatives, the embedded derivatives shall be separated from the hybrid instrument and treated as a separate derivative financial instrument. If it is unable to separately measure the embedded derivatives upon acquisition or on the subsequent balance sheet date, the hybrid instrument shall be entirely designated as the financial assets or financial liabilities measured at fair value and whose movements are included in the profit and loss of the current period.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

10. Financial instruments (Continued)

(5) Fair value of the financial instrument

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

(6) Impairment of financial assets

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

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

Measurement of expected credit loss (ECLs)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

10. Financial instruments (Continued)

(6) Impairment of financial assets (Continued)

Measurement of expected credit loss (ECLs) (Continued)

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

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

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

For notes receivable, trade receivables and contract assets, regardless whether it has significant financing components or not, the Group has always measured its loss allowance at an amount equal to lifetime expected credit losses.

If the expected credit losses of one individual financial asset cannot be estimated at a reasonable cost, the Group classifies notes receivable and trade 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

B. Accounts receivables

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

10. Financial instruments (Continued)

(6) Impairment of financial assets (Continued)

Measurement of expected credit loss (ECLs) (Continued)

Contract assets

- Contract assets portfolio: Sale of products

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

For accounts receivables classified as portfolio, the Group measures expected credit losses through preparing a table of concordance between the aging of trade 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 Group classifies other receivables into certain portfolios based on credit risk characteristics, and measures expected credit losses on portfolios basis to determine portfolios by the following basis:

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

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

Long-term receivables

The Group's long-term receivables include finance lease receivables and equity transfer receivables.

The Group classifies finance lease receivables and equity transfer receivables into certain portfolios based on credit risk characteristics, and measures expected credit losses on 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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

10. Financial instruments (Continued)

(6) Impairment of financial assets (Continued)

Long-term receivables (Continued)

For finance lease receivables and equity transfer receivables, the Group measures expected credit losses based on the risk exposures of default and lifetime expected credit 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 as portfolio, the Group 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 Group measures expected credit losses based on the nature of investments, counterparties and various types of risk exposures and the risk exposures of default and future 12-month or lifetime expected credit losses rate.

Assessment of significant increase in credit risk

By comparing the risk of default of financial instruments occurring on the balance sheet date and on the initial recognition date, the Group determines the relative changes in 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 Group considers information that is reasonable and supportable, including forward-looking information that is available without undue cost or effort. The information considered by the Group includes:

- Failure to make payments of principal or interest on debtors' 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 Group.

Depending on the nature of the financial instruments, the Group 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 Group can classify the financial instruments based on the shared credit risk characteristics, such as past due information and credit risk ratings.

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

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

10. Financial instruments (Continued)

(6) Impairment of financial assets (Continued)

Credit-impaired financial assets

The Group assesses whether financial assets at amortised cost and debt investments measured at fair value through other comprehensive income are credit-impaired at balance sheet date. A financial asset is 'credit-impaired' when one or more events that have 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 borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties.

Presentation of allowance for ECL

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

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case the Group 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 Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(7) Transfer of financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

10. Financial instruments (Continued)

(7) Transfer of financial assets (Continued)

The Group neither transfers nor retains substantially all the risks and rewards of ownership, shows as the following circumstances: if the Group has forgone control over the financial assets, derecognise the financial assets and verify the assets and liabilities; if the Group retains its control of the financial asset, the financial asset is recognised to the extent of its continuing involvement in the transferred financial asset and recognise an associated liability is recognised.

(8) Offsetting financial assets and financial liabilities

When the Group has the legal right to offset recognised financial assets and financial liabilities, and the legal right can be executed at present, and the Group has a plan to settle the financial assets and financial liabilities at the same time or at net amount, the financial assets and financial liabilities can be presented on the balance sheet after offsetting. Except for the above circumstances, financial assets and financial liabilities cannot be offset and shall be presented separately on the balance sheet.

11. Fair value measurement

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

The Group measures the relevant assets or liability at fair value supposing the orderly transaction of asset selling or liability transferring incurring in a principal market of relevant assets or liabilities. In the absence of a principal market for the asset or liability, the Group assumes that the transaction takes place at the most advantageous market of relevant asset or liability. A principal market (or the most advantageous market) is the transaction market that the Group can enter into at measurement date. The Group implements the hypothesis used by the market participants to realize the maximum economic benefit in assets or liabilities pricing.

If there exists an active market for the financial assets or financial liabilities, the Group uses the quotation on the active market as its fair value. For those in the absence of active market, the Group uses valuation technique to recognise its fair value. However under limited circumstances, the Group may use all information about the results and operation of the investee obtained after the date of initial recognition to determine whether cost represents fair value. Cost may represent the best estimate of fair value of the relevant financial asset within the scope of distribution, and such cost represents the appropriate estimate of fair value within the scope of distribution.

For non-financial assets measured at fair value, the Group should consider the capacity of the market participants to put the assets into optimal use thus generating the economic benefit, or the capacity to sell assets to other market participants who can put the assets into optimal use and generate economic benefit.

The Group implements the valuation technique suitable for the current condition and supported by enough available data and other information, gives priority in use of relevant observable inputs, only the observable inputs cannot be obtained or impracticable before using unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

11. Fair value measurement (Continued)

For the assets and liabilities measured or disclosed at fair value on financial statements, fair value hierarchies are categorized into three levels as the lowest level input that is 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. Level 3: inputs are unobservable inputs for the asset or liability.

At each balance sheet date, the Group re-evaluates the assets and liabilities recognised to be measured at fair value on the financial statements to make sure whether conversion occurs between fair value hierarchies.

12. Inventories

(1) Classification of inventories

The Group's inventories include, among others, raw materials, packaging materials, work in progress, finished goods, subcontracting materials and low-value consumables.

(2) Method of costing

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.

(4) Inventory system

The Group maintains a perpetual inventory system.

(5) Amortisation methods of consumables

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

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 Group recovers its book value mainly by selling (including the exchange of nonmonetary assets with commercial substance) rather than continuing to use it.

The aforesaid non-current assets do not include investment property measured with the basis of fair value; the biological assets measured with the basis of fair value less selling costs; the assets formed by employee benefits; financial assets and the right arising from deferred income tax assets and insurance contracts.

A disposal group is a group of assets to be disposed through sale or other means as a whole in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. In certain circumstance, disposal groups include the goodwill obtained through business combination.

Non-current assets and disposal groups that meet the following conditions are classified as held for sale: according to the practice of disposing of this type of assets or disposal groups in a similar transaction, a non-current asset or disposal group is available for immediate sale at its present condition; the sale is likely to occur, that is, a decision has been made on a sale plan and a determined purchase commitment is made, and the sale is expected to be completed within one year. Where the loss of control over the subsidiaries is due to the sales of investment in subsidiaries, no matter whether the Group retains part of the equity investment after selling or not, the investment in subsidiaries shall be classified as held for sale in the separate financial statements when it satisfies the conditions for category of held for sale; all assets and liabilities of subsidiaries shall be classified as held for sale in the consolidated financial statements.

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 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 which is applicable to the measurement requirements of Held-For-Sale Standards after the non-current asset is classified into held-for-sale category. The reversed amount is credited to current profit or loss. The carrying value of goodwill which has been offset cannot be reversed.

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

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

13. Assets held for sale and discontinued operations (Continued)

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

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

(2) Discontinued operation

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

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

(3) Presentation

The Group presents the non-current assets held for sale and the assets in the disposal group held for sale under "assets classified as held for sale", and the liabilities in the disposal group held for sale under "liabilities classified as held for sale" in the balance sheet.

The Group presents the profit and loss for continuing operation and profit and loss for discontinued operation in the income statement, respectively. The impairment loss and reversal amount and disposal profit and loss of the non-current assets held for sale or disposal group not meeting the definition of discontinued operation will be presented as the profit and loss of continuing operation. The operating profit and loss (such as impairment loss and reversal amount) and disposal profit and loss of the discontinued operation will be presented as the profit and loss of the discontinued operation.

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.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

14. Long-term equity investment

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

(1) Determination of initial investment cost

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

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

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

The investment in subsidiary will be accounted for using cost method, unless the investment meets the criteria of held-for-sale category. The investment in associates and joint venture will be accounted with equity method.

For the long-term equity investment accounted for using cost method, except for the price actually paid upon the investment or the cash dividend or profit in the consideration that has been declared but not released, the cash dividend or profit declared and distributed by the investee is recognized as the investment income and recorded into the profit and loss for the current period.

For the long-term equity investment accounted for using equity method, the investment cost of the long-term equity investment shall not be adjusted if the initial investment cost of the long-term equity investment is higher than the Company's share in the fair value of the identifiable net value of the investee at the time of investment; if the initial investment cost of the long-term equity investment is lower than the Company's share in the fair value of the identifiable net value of the investee at the time of investment, the carrying amount of the long-term equity investment will be adjusted, with the difference recorded into the profit and loss for the current period of investment.

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 Group. The carrying amount of long term equity investment will be adjusted for changes to equity interest attributable to the owners of the investee other than net profit or loss, other comprehensive income and profit distribution, and recorded into capital reserve (other capital reserve). The Group's share of the net profit or loss of the investees will be recognised after adjustment of the net profit of the investees according to the accounting policy and accounting period of the Company on the basis of fair value of all identifiable assets of the investee on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

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)

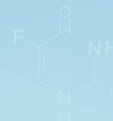
If the Group is able to exert significant influence or implement joint control (which does not constitute control) on the investee through additional investment or other reason, the sum of the fair value of the original equity plus the additional investment cost will be used as the initial investment cost, which will be accounted for with equity method, on the conversion date. The difference between the fair value of the original equity on the conversion date and its carrying amount, and the accumulated change of fair value recorded into other comprehensive income will be transferred into the profit and loss for the current period, which will be accounted for using equity method.

If an entity loses joint control or has no significant influence over investees due to the elimination of parts of the equity investment, the surplus equity after disposal shall be recognized in accordance with "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", and the difference between fair value and carrying amount should be recognized as profit or loss for current period. Other comprehensive income of original equity investment recognized under equity method shall be recognized in accordance with the same foundation used by the investees when dispose the relevant assets or liabilities directly in the termination of equity method. Other changes of owners' equity related to the original equity investment shall be transferred into profit or loss for current period.

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

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

The Group recognizes the unrealized profit or loss of intra-transaction between the joint ventures or associates that belongs to itself according to the proportion of the shares and recognizes the investment income or loss after offset. However, the loss arising from the unrealized intra-transaction between the Group and investees, which belongs to the impairment loss of assets transferred, cannot be offset.



NOTES TO THE FINANCIAL STATEMENTS

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.

15. Investment properties

Investment properties are properties held to earn rental or capital appreciation or both. The investment properties of the Group include land use rights that have already been leased out, land use rights that are held for the purpose of sale after capital appreciation, buildings that have been already been leased out, etc.

Investment properties of the Group are measured initially at cost upon acquisition, and subject to depreciation or amortization in the relevant periods according to the relevant provisions on fixed assets or intangible assets.

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

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

15. Investment properties (Continued)

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

16. Fixed asset

(1) Conditions for recognition of fixed assets

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

The fixed asset can be recognized only when the economic benefit related to the fixed asset is probable to flow into the company and the cost of the fixed asset can be reliably measured.

The Group's fixed assets are initially measured at the actual cost at the time of acquisition.

(2) Depreciation methods of fixed assets

Fixed assets are depreciated using the equal annual 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 derecognized and are divided into hold-for-sale as non-current assets. For those fixed asset without considering impairment provision, the Group's annual depreciation rates are shown as follows according to the category, expected useful lives and estimated net residual values rates:

Category	Useful years (year)	Residual rate %	Annual depreciation rate %
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

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 Group reviews the useful life and estimated net residual value of fixed asset and the depreciation method applied annually at each of the period 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.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

16. Fixed asset (Continued)

(5) Overhaul costs

The overhaul costs occurred in regular inspection of property, plant and equipment are recognised in the cost of property, plant and equipment if there is undoubted evidence to confirm that they meet the recognition criteria of fixed assets, otherwise, the overhaul costs are recognised in profit or loss for the current period. Property, plant and equipment are depreciated during the intervals of the regular overhaul.

17. Construction in progress

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

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

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

18. Borrowing costs

(1) Recognition principle of capitalization of borrowing costs

For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, they shall be capitalized and included in the cost of related assets; other borrowing costs are recognized as expenses and included in profit or loss when incurred. Capitalization of such borrowing costs can commence only when all of the following conditions are satisfied:

- ① Expenditures for the asset incurred, capital expenditure includes the expenditure in the form of cash payment, transfer of non-cash assets or the interest bearing liabilities for the purpose of acquiring or constructing assets eligible for capitalization;
- ② Borrowing costs incurred;
- ③ Activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Capitalization period of borrowing costs

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The borrowing cost incurred after that is recognised as an expense in the period in which they are incurred and included in profit or loss for the current period.

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.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

18. Borrowing costs (Continued)

(3) Calculation of the capitalization rate and amount of borrowing costs

The interest expense of the specific borrowings incurred at the current period, deducting any interest income earned from depositing the unused specific borrowings in bank or the investment income arising from temporary investment, shall be capitalized. The capitalization rate of the general borrowing is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings.

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

19. Biological assets

(1) Determination of biological assets

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

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

(2) Classification of biological assets

The Group's biological assets are consumable biological assets which include traditional Chinese medical herbal plant species.

The consumable biological assets refer to the biological assets held for sale, or biological assets to be harvested as agricultural products in the future, consisting of growing traditional Chinese medical herbal plant species. The consumable biological asset is initially measured at cost. The cost of any consumable biological assets by way of self-planting, self-cultivating, self-breeding is the necessary cost directly attributable to this asset prior to the harvest, consisting of borrowing costs that meet the conditions of capitalization. The subsequent expenses for the maintenance, protection and cultivation of a consumable biological asset after the harvest shall be included in the current profits or loss.

The cost of a consumable biological asset shall, at the time of harvest or sale, be carried over at its book value by the weighted average method.

(3) Impairment of biological assets

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

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

20. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Group. 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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

20. Intangible assets (Continued)

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

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

When the Group estimates an intangible asset can no longer bring future economic benefits to the Group at the end of a period, the carrying amount of which should be reversed to profit or loss for the current period.

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

21. R&D expenditures

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

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

Expenditures on the development phase refer to the cost incurred for applying research findings or other knowledge to a plan or design to produce new materials, devices, products or processes or make substantial improvement thereof before the commercial production or use. In the development phase, facilitating by the works conducted during the research phase, the Group 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 Group 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 Group is able to use or sell the intangible assets; and expenditures on the development phase attributable to the intangible assets can be reliably measured. The development expenditures that do not satisfy the above conditions shall be recognised in profit or loss for the current period.

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

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

21. R&D expenditures (Continued)

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

Where it is impossible to differentiate the expenditures on the research phase and the expenditures on the development phase, all the R&D expenditures are recognised in profit or loss for the current period.

22. Impairment of assets

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

At the balance sheet date, the Group determines whether there may be evidence of impairment, if there is any, the Group will estimate the recoverable amount for impairment, and then test for impairment. For goodwill arising from a business combination, intangible assets with indefinite useful life and the intangible assets that have not yet ready for use are tested for impairment annually regardless of whether such evidence exists.

The recoverable amount of an asset is determined by the higher amount of fair value deducting disposal costs and net present value of future cash flows expected from the assets. The Group estimates the recoverable amount based on individual asset; for individual asset which is difficult to estimate the recoverable amount, the recoverable amount of the asset group is determined based on the asset group involving the asset. The identification of the asset group is based on whether the cash flow generated from the asset group is independent of the major cash inflows from other assets or asset groups.

When the asset or asset group's recoverable amount is lower than its carrying amount, the Group reduces its carrying amount to its recoverable amount, the reduced amount is included in profit or loss, while the provision for impairment of assets is recognised.

In terms of impairment test of the goodwill, the carrying amount of the goodwill, arising from business combination, shall be allocated to the related asset group in accordance with a reasonable basis at acquisition date. Those that are difficult to be allocated to related assets shall be allocated to related asset group. Related assets or assets group refer to those that can benefit from the synergies of business combination and are not larger than the Group's recognised reporting segment.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

22. Impairment of assets *(Continued)*

When there is an indication that the asset and asset group are prone to impair, the Group should test for impairment for asset and asset group excluding goodwill and calculate the recoverable amount and recognize the impairment loss accordingly. The Group should test for impairment for asset or the asset group including goodwill and compare the asset or asset group's recoverable amount with its carrying amount, provision for impairment of assets shall be recognized when the recoverable amount of assets is lower than its carrying amount.

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

23. Long-term deferred expenses

The Group's long-term deferred expenses measured at cost actually incurred and evenly amortized on straight-line basis over the expected beneficial period. For the long-term deferred expense items that cannot benefit in subsequent accounting period, their amortized value is recognised through profit or loss.

24. Employee compensation

(1) The scope of employee compensation

Employee compensation are all forms of remuneration and compensation given by the Group in exchange for service rendered by employees or the termination of employment. Employee compensation include short-term remuneration, post-employment benefits, termination benefits and other long-term employee benefits. Employee compensation include benefits provided to employees' spouses, children, other dependants, survivors of the deceased employees or to other beneficiaries.

According to liquidity, employment compensation are presented separately as "accrued payroll" item and "long-term employment compensation payable" item in the balance sheet.

(2) Short-term employee compensation

During the accounting period in which the employees render the related services, wages, bonuses, social security contributions (including medical insurance, injury insurance, maternity insurance, etc.) and house funding are recognized as liability and included in the profit or loss for the current period or related asset costs. If the liability cannot be wholly settled within twelve months after the end of the annual reporting period in which the employees render the related service and have significant financial impact, the liability shall be measured as the discounted amounts.

(3) Post-employment benefits

Post-employment benefit plans mainly includes defined contribution plans. Defined benefit plans are post-employment benefit plans under which an entity pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions. Defined benefit plans include the basic pension insurance, unemployment insurance, etc.

During the accounting period in which the employees render services, the contributions to defined contribution plans is recognized as a liability, and are included in profit or loss for the current period or related asset costs.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

24. Employee compensation (Continued)

(4) Termination benefits

The liability of employee compensation arising from termination benefits is recognised and included in profit or loss for the current period in the earlier date of the followings: the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; the Group recognises costs or expenses related to the restructuring that involves the payment of termination benefits.

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

(5) Other long-term employee benefits

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

25. Provisions

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

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

Provisions are initially measured at the best estimate of the payment to settle the associated obligations and consider the relevant risk, uncertainty and time value of money. If the impact of time value of money is significant, the best estimate is determined as its present value of future cash outflow. The Group reviews the carrying amount of provisions at the balance sheet date and adjusts the carrying amount to reflect the best estimate.

If the expenses for clearing of provisions is fully or partially compensated by a third party, and the compensated amount can be definitely received, it is recognised separately as asset. The compensated amount recognised shall not be greater than the carrying amount of the liability recognised.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

26. Share-based payment and equity instruments

(1) Category of share-based payment

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

(2) Determination of fair value of equity instrument

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

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

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

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

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

Cash-settled share-based payments are measured at the fair value of the liabilities (share-based or other equity instrument-based) assumed by the Group. Instruments which are vested immediately upon the grant are included in relevant costs or expenses at the fair value of liabilities assumed by the Group on the date of grant and liabilities are increased accordingly. If vesting is conditional upon completion of services in the pending period or fulfillment of performance conditions, at each balance sheet date during the pending period, based on the best estimates of the vesting situation, the services received for the period are recognised as the costs or expenses and corresponding liabilities at fair value of the liabilities assumed by the Group. At each balance sheet date and settlement date before the relevant liabilities are settled, the fair value of liabilities are re-measured and the resulting changes are included in the profit and loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

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

(4) Accounting treatment for implementation, amendment and termination of share-based payments (Continued)

When the Group modifies the share-based payment plan, and if such modification increases the fair value of the equity instruments granted, the increase in services received will be recognised accordingly following the increase in fair value of the equity instruments; if such modification increases the number of equity instruments granted, the increase in fair value of the equity instruments is recognized as a corresponding increase in service achieved. The increase in fair value of the equity instruments refers to the difference in fair value on the date of modification before and after the modification in respect of the equity instruments. If the modification reduces the total fair value of the share-based payments or adopts any form that is unfavorable to employees to modify the terms and conditions of the share-based payment plan, accounting treatment will be continued to be conducted in respect of the services received and the modification will be deemed to have never occurred, unless the Group had cancelled part or all of the equity instruments granted.

During the pending period, if the equity instruments granted are cancelled (except for failure to meet the non-market conditions of the vesting conditions), the Group will undertake an accelerated vesting in respect of the cancelled equity instruments that had been granted, include the remaining amount that shall be recognised during the pending period in the current profit and loss immediately and recognize capital reserve accordingly. Where employees or other parties are permitted to choose to fulfill non-vesting conditions but have not fulfilled during the pending period, the Group will treat the granted equity instruments as cancelled.

(5) Accounting treatment for share-based payments 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

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

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

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

For a share-based payment transaction occurring between each enterprise under the Company where the enterprise receiving services and the settlement enterprise are not the same enterprise, such share-based payment transaction shall be recognised and measured in each of the respective financial statements of the enterprise receiving services and the settlement enterprise (as compared with the above principles).

27. Preferred shares, perpetual bonds and other financial instruments

(1) Classification of financial liabilities and equity instruments

The Group classifies the financial instrument or its components as financial assets, financial liabilities or equity instruments at the initial recognition based on the contract terms of the issued financial instrument and the economic substance it reflects, instead of only in legal form, and combine the definition of financial assets, financial liabilities and equity instruments.

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

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

The transaction costs such as charges and commissions incurred by the Group when issuing financial instruments, if classified as debt instruments and measured at amortized cost, are included in the initial measurement amount of the issued instrument; if classified as equity instruments, are deducted from equity.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

28. Income

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

When the contract contains two or more performance obligations, on the effective date of the contract, the Group allocate the transaction price to each performance obligation based on the percentage of respective unit price of a good or service guaranteed by each performance obligation, and the revenue is measured according to the transaction price allocated to each performance obligation.

If one of the following conditions is fulfilled, the Group satisfies a performance obligation over time; otherwise, it satisfies a performance obligation at a point in time:

- ① When the customer simultaneously receives and consumes the benefits provided by the Group when the Group performs its obligations under the contract.
- ② When the customer is able to control the commodity in progress in the course of performance by the Group under the contract.
- ③ The product produced by the Group under the contract is irreplaceable and the Group has the right to payment for performance completed to date during the term of the contract.

For a performance obligation satisfied over time, the Group shall recognize revenue over time by measuring the process towards complete satisfaction of the performance obligation. When the progress of performance cannot be reasonably determined, if the costs incurred by the Group are expected to be recoverable, the revenue will be recognised to the extent of the costs incurred until the progress of performance can be reasonably determined.

For a performance obligation satisfied at a point in time, the Group shall recognize revenue when the customer obtains control of relevant goods or services. When determining whether the customer has obtained control of the goods and services, the Group will consider the following indications:

- ① The Group has the current right to receive payment for the goods or services, which is when the customers have the current payment obligations for the goods.
- ② The Group has transferred the legal title of the goods to the client, which is when the client possesses the legal title of the goods.
- ③ The Group has transferred the physical possession of goods to the customer, which is when the customer obtains physical possession of the goods.
- ④ The Group has transferred all of the substantial risks and rewards of ownership of the goods to the customer, which is when the client obtains all of the substantial risks and rewards of ownership of the goods to the customer.
- ⑤ When the customer has accepted the goods or services.
- ⑥ When other information indicates that the customer has obtained control of the goods.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

28. Income (Continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditioned on factors other than passage of time, for which the loss allowances for expected credit loss is recognised (see Note III.10(6)). The Group shall present any unconditional (i.e. if only the passage of time is required) rights to consideration separately as a receivable. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer.

The contract assets and liabilities under the same contract shall be shown on a net basis. If the net amount stated in debit balance, it will be presented under the items of "Contract assets" or "Other non-current assets" according to its mobility; If the net amount stated in credit balance, it will be presented under the items of "Contract liabilities" or "Other non-current liabilities" according to its mobility.

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

29. Contract costs

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

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- ① The costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;
- ② The costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future;
- ③ The costs are expected to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

29. Contract costs (Continued)

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.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- ① Remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates;
- ② The cost estimated to be happened for the transfer of related goods or services.

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

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

30. Government grants

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

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

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

Regarding to the government grant not clearly defined in the official documents and can form long term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to income. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to income.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

30. Government grants (Continued)

The government grant related to assets is recognised as deferred income and would be transferred to profit or loss in reasonable and systematic manner within the period of use of the relevant assets. The government grant related to income which is used to compensate the relevant costs or losses incurred should be recognised in the profit or loss for the current period; the government grant related to income which is used to compensate the relevant costs or losses for the subsequent period is recognised as deferred income and shall be recognised in profit or loss during the relevant cost or loss confirmation period. Government grants measured in nominal terms are directly included in the profit or loss for the current period. The Group has adopted a consistent approach to the same or similar government grant business.

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 recognized 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 tax assets and deferred tax liabilities

Tax expense comprises current tax expense and deferred tax expense. Current tax and deferred tax are included in the profit or loss for the current period as tax expense, except for deferred tax related to transactions or events that are directly recognised in shareholders' equity which are recognised directly in shareholders' equity, and deferred 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 tax using the balance sheet liability method.

All the taxable temporary differences are recognised as deferred 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 Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

31. Deferred tax assets and deferred tax liabilities (Continued)

The Group recognises a deferred 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 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 utilised.

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

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

32. Leases

(1) Identification of leases

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

(2) The Group as the lessee

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

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

Lease liabilities are initially measured based on the present value of outstanding lease payment at the inception of a lease, discounted using the interest rate implicit in the lease or the incremental borrowing rate. Lease payment include: fixed payments and in-substance fixed payments, less any lease incentives (if there is a lease incentive); variable lease payment that are based on an index or a rate; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments of penalties for terminating the lease option, if the lease term reflects that the lessee will exercise that option; and amounts expected to be payable under the guaranteed residual value provided by the lessee. The Group 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.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

32. Leases (Continued)

(2) The Group as the lessee (Continued)

Short-term lease

Short-term lease refers to the lease that the lease term does not exceed 12 months from the inception of a lease, and the lease that includes the option of purchase is not a short-term lease.

The Group recognises the amount of lease payments of short-term lease in the cost of the related asset or the profit or loss for the current period, on a straight-line method over each period of the lease term.

Leases of low-value assets

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

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

(3) The Group as the lessor

When the Group is the lessor, the lease that substantially transfers all the risks and rewards related to the ownership of assets is recognised as a finance lease, and leases other than finance leases are recognised as operating leases.

Finance leases

In a financial lease, the Group uses the net investment in leases as the carrying amount of finance lease receivables at the inception of a lease. The net investment in leases is the sum of the unguaranteed residual value and the present value of the outstanding lease payment at the inception of a lease, discounted using the interest rate implicit in the lease. The Group, as the lessor, calculates and recognises the interest income over each period of the lease term at a fixed periodic interest rate. Variable lease payments not included in the measurement of the lease liability, which are obtained by the Group as a lessor, are recognised in profit or loss as incurred.

The termination of recognition and impairment of financial lease receivables is accounted for in accordance with the provisions of "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument" and "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets".

Operating leases

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

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

33. Right-of-use assets

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

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

Right-of-use assets are initially measured at cost as at the commencement date of the lease, which consists of: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date of the lease less any lease incentives received if any; initial direct expenses incurred by the Group as a lessee; costs to be incurred by the Group as a lessee in dismantling and removing a leased asset, restoring the site on which it is located or restoring the leased assets to the condition required by the terms and conditions of the lease. The Group as a lessee recognises and measures the costs of demolition and restoration according to "Accounting Standards for Business Enterprises No.13 – Contingencies", and subsequently adjusts for any remeasurement of lease liability.

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

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

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

34. Repurchase of shares

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

The difference between the actual amount received and the carrying amount of the treasury stock are recognised as capital reserve when the treasury stocks are transferred, if the capital reserve is not sufficient to be offset, the excess amount shall be recognised to offset surplus reserve and undistributed profit. When the treasury stocks are cancelled, the capital shall be eliminated according to the number of shares and par value of cancellation shares, the difference between the actual amount received and the carrying amount of the treasury stock are recognised as capital reserve, if the capital reserve is not sufficient to be offset, the excess amount shall be recognised to offset surplus reserve and undistributed profit.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

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.

36. Significant accounting judgements and estimates

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

(1) Classification of financial assets

Significant judgements involved in determining the classification of financial assets include analysis of business mode and characteristics of the contractual cash flows.

Factors considered by the Group in determining the business model of financial assets management for a group of financial assets include past experience on how financial asset's performance is evaluated and reported to key management personnel, how risks affecting the performance of financial asset are assessed and managed and how managers of related businesses are compensated.

When assessing whether the contractual cash flows of financial assets are consistent with basic lending arrangement, the Group adopts the following significant judgements: whether the time distribution or amounts of the principal within the duration may change due to early repayment and other reasons; whether the interest includes only the time value of money, credit risk, other basic lending risks and the consideration for cost and profit. For example, the amounts of early repayment only reflect principal unpaid, the interest based on principal unpaid and reasonable compensation paid for early termination of a contract.

(2) Measurement of ECL for accounts receivables

The Group calculates ECL of accounts receivables according to their exposure at default and ECL rate, and determines ECL rate based on probability of default and loss given default. When determining ECL rate, the Group adopts data like historical credit loss experience in combination with current situation and forward-looking information to adjust historical data. When considering forward-looking information, the Group uses indicators including the risk of economic downturn, external market environment, technology environment and changes on customer situation. The Group periodically monitors and reviews assumptions relevant to the measurement of ECL.

(3) Impairment of goodwill

The Group evaluates whether goodwill is impaired at least once a year. This requires an estimate of the value in use of the asset groups to which the goodwill is allocated. In estimating the value in use, the Group needs to estimate the future cash flows generated from the asset groups and also to choose an appropriate discount rate in order to calculate the present value of the future cash flows.

NOTES TO THE FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

36. Significant accounting judgements and estimates (Continued)

(4) Development expenditure

Determining the amounts to be capitalised requires the management to make assumptions regarding the expected future cash flows generated from the relevant 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.

(6) Revenue recognition

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

(7) Determination of the fair value of unlisted equity investment

The fair value of unlisted equity investments represents the expected future cash flows discounted at the prevailing discount rate of items with similar terms and risk characteristics. It requires the Group to estimate the expected future cash flows and discount rates, and therefore there is uncertainty. Under limited circumstances, if the information used to determine the fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and cost represents the best estimate of the fair value within such scope, the cost may represent an appropriate estimate of the fair value within such distribution scope.

37. Changes in significant accounting policies and accounting estimates and correction to accounting errors

(1) Changes in accounting policies

No.

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

No.

NOTES TO THE FINANCIAL STATEMENTS

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 as 2% of 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 applicable enterprise income tax rates are as follows:

Name of taxpayer	Income tax rate (%)
Livzon Pharmaceutical Biotechnology Co., Limited (麗珠醫藥生物科技股份有限公司), Lian (Hong Kong) Co., Ltd. (麗安香港有限公司), Livzon Biologics Hong Kong Limited (麗珠生物科技香港有限公司)	16.5
Companhia de Macau Carason Limitada (澳門嘉安信有限公司), Li Zhu (Macau) Limitada (麗珠(澳門)有限公司)	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, Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠), Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司), Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司), Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司), Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司), Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司), Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司), Shanghai Livzon Biotechnology Co., Ltd. (上海麗珠生物科技有限公司) and Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	15
Livzon MABPharm (US) Inc. (麗珠單抗生物技術(美國)有限公司)	21
Livzon International Limited, Livzon Biologics Limited, Livzon International Ventures, Livzon International Ventures I, Livzon International Ventures II	0
Other subsidiaries	25

NOTES TO THE FINANCIAL STATEMENTS

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 issued by the State Administration of Taxation (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 sold by the Group are subject to value added tax at 3% by the simple approach.

(2) Preferential enterprise income tax

The Company and its subsidiaries, Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠), Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), 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) has reapplied and recognised as the high and new technology enterprises for the Period; Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司) was approved to enjoy the enterprise taxation preference of the Encouraged Industries in Western China. Such companies were subject to an enterprise income tax rate of 15% for the Period.

In accordance with Article 27 of the Enterprise Income Tax Law of the People's Republic of China and Article 86 of the Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China, the business of planting Chinese herbal medicines engaged by the subsidiaries of the Company, Datong Livzon Qiyan Medicine Co., Ltd. (大同麗珠芪源藥材有限公司) and Longxi Livzon Shenyuan Medicine Co., Ltd. (隴西麗珠參源藥材有限公司) are exempted from enterprise income tax.

NOTES TO THE FINANCIAL STATEMENTS

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 Period" refers to 30 June 2021; "Period" refers to January to June 2021 and "Previous Period" refers to January to June 2020 in the following notes (including major notes to the financial statements of the Company).

1. Monetary funds

Items	Balance at the End of the Period			Balance at the Beginning of the Year		
	Amount in foreign currency	Translation rate	Amount in RMB	Amount in foreign currency	Translation rate	Amount in RMB
Cash on hand :	–	–	608,704.63	–	–	160,781.75
RMB	–	–	592,039.36	–	–	143,535.86
Euro	1,579.87	7.6862	12,143.20	1,579.87	8.0250	12,678.46
USD	700.00	6.4601	4,522.07	700.00	6.5249	4,567.43
Bank deposits:	–	–	8,492,715,508.19	–	–	9,860,877,412.96
RMB	–	–	7,686,470,170.74	–	–	8,962,639,630.48
HKD	7,424,326.80	0.83208	6,177,633.84	59,024,354.62	0.84164	49,677,257.82
Euro	100,590.09	7.6862	773,155.55	78,241.56	8.0250	627,888.52
USD	123,416,000.27	6.4601	797,279,703.34	129,781,661.24	6.5249	846,812,361.44
MOP	2,492,385.85	0.8084	2,014,844.72	1,370,869.68	0.8172	1,120,274.70
Of bank deposits: deposit with financial companies	–	–	–	–	–	–
Other monetary funds:	–	–	91,146,885.14	–	–	92,709,368.76
RMB	–	–	2,230,318.38	–	–	2,930,256.74
HKD	1,612,600.49	0.83208	1,341,812.62	1,614,514.71	0.84164	1,358,840.16
USD	13,556,253.64	6.4601	87,574,754.14	13,551,207.20	6.5249	88,420,271.86
Total			8,584,471,097.96			9,953,747,563.47
Of which: total overseas deposits			815,719,495.18			801,916,581.94

NOTES TO THE FINANCIAL STATEMENTS

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

1. Monetary funds (Continued)

- ① Other monetary funds are mainly deposits for investments and deposits under guarantee of letter of guarantee, etc.
- ② Frozen funds in bank deposits and restricted funds relating to deposits under guarantee of letter of guarantee, etc. in other monetary funds were deducted from cash and cash equivalents in the cash flow statement. Apart from these restricted funds, there is no other charge, pledge or lock up on the balance of cash at bank and on hand that may limit its use, is 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 Period	Balance at the Beginning of the Year
Deposits under guarantee	1,071,889.40	1,697,573.39

2. Financial assets held for trading

(1) Classification

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Financial assets held for trading	240,934,298.66	25,984,877.13
Of which: Debt instrument investments	926,807.89	909,752.05
Equity instrument investments	237,166,389.06	14,351,400.72
Derivative financial assets	2,841,101.71	10,723,724.36
Total	240,934,298.66	25,984,877.13

- ① The Group's investments in equity instruments and debt instruments for financial assets held for trading at the End of the Period were listed for trading on Shenzhen Stock Exchange and Hong Kong Stock Exchange. The 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 and gains from unexpired contracts measured at fair value which were recognised as financial assets as at the 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 have occurred during the Period.

NOTES TO THE FINANCIAL STATEMENTS

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

3. Bills receivable

Types of bills	Balance at the End of the Period			Balance at the Beginning of the Year		
	Gross amount	Provision for bad debt	Carrying value	Gross amount	Provision for bad debt	Carrying value
Bank acceptance bills	1,310,708,427.33	481,000.00	1,310,227,427.33	1,149,425,595.17	481,000.00	1,148,944,595.17
Commercial acceptance bills	0.00	0.00	0.00	0.00	0.00	0.00
Total	1,310,708,427.33	481,000.00	1,310,227,427.33	1,149,425,595.17	481,000.00	1,148,944,595.17

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

Type	Pledged amount at the End of the Period
Bank acceptance bills	286,294,897.67

As at 30 June 2021, bills with carrying amount of RMB286,294,897.67 (31 December 2020: RMB232,664,555.17) were pledged for bank acceptance bills.

(2) Endorsed or discounted bills receivables not yet mature as at the balance sheet date at the End of the Period

Type	Derecognized amount at the End of the Period	Amount not derecognized at the End of the Period
Bank acceptance bills not yet mature but already endorsed	179,600,201.83	0.00
Bank acceptance bills not yet mature but already discounted	0.00	0.00
Total	179,600,201.83	0.00

During the Period, the Group discounted RMB0.00 bank acceptance bills (Previous Period: RMB0.00) to a bank. As the main risks (such as interest rate risk) 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 (Previous Period: RMB0.00).

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

NOTES TO THE FINANCIAL STATEMENTS

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

3. Bills receivable (Continued)

(4) Classification by method of provision for bad debts

Category	Balance at the End of the Period					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	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	1,310,227,427.33	99.96	0.00	0.00	1,310,227,427.33	1,148,944,595.17	99.96	0.00	0.00	1,148,944,595.17
Of which:										
Bank acceptance bills	1,310,227,427.33	99.96	0.00	0.00	1,310,227,427.33	1,148,944,595.17	99.96	0.00	0.00	1,148,944,595.17
Total	1,310,708,427.33	100.00	481,000.00	0.04	1,310,227,427.33	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 Period				Balance at the Beginning of the Year			
	Gross amount	Provision for bad debt	Expected credit loss rate (%)	Reason for provision made	Gross amount	Provision for bad debt	Expected credit loss rate (%)	Reason for provision made
Henan Jiuzhoutong Pharmaceutical Co., Ltd. (河南九州通醫藥有限公司)	431,000.00	431,000.00	100.00	Not expected to be recoverable	431,000.00	431,000.00	100.00	Not expected to be recoverable
Other customers	50,000.00	50,000.00	100.00	Not expected to be recoverable	50,000.00	50,000.00	100.00	Not expected to be recoverable
Total	481,000.00	481,000.00	100.00	/	481,000.00	481,000.00	100.00	/

NOTES TO THE FINANCIAL STATEMENTS

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

3. Bills receivable *(Continued)*

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

	Amount of provision for bad debt
Balance at the Beginning of the Year	481,000.00
Provision made for the Period	0.00
Recovery or reversal for the Period	0.00
Write-off for the Period	0.00
Balance at the End of the Period	481,000.00

(6) There was no actual write-off of bills receivable for the Period.

4. Account receivables

(1) Disclosed by aging analysis

Age	Balance at the End of the Period	Balance at the Beginning of the Year
Within 1 year		
Of which: Within 3 months (including 3 months)	1,948,255,502.16	1,573,299,819.60
4-6 months (including 6 months)	238,757,789.21	157,381,703.50
7-12 months (including 12 months)	28,693,384.92	24,093,032.71
Subtotal within 1 year:	2,215,706,676.29	1,754,774,555.81
1-2 years (including 2 years)	14,015,295.33	16,114,928.65
2-3 years (including 3 years)	6,890,066.30	7,813,086.60
Over 3 years	11,091,992.25	9,803,417.28
Subtotal	2,247,704,030.17	1,788,505,988.34
Less: Provision for bad debt	53,059,274.58	45,357,950.96
Total	2,194,644,755.59	1,743,148,037.38

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

NOTES TO THE FINANCIAL STATEMENTS

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

4. Account receivables (Continued)

(2) Disclosed by method of provision for bad debt

Category	Balance at the End of the Period					Balance at the Beginning of the Year				
	Gross amount		Provision for bad debt		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	631,267.15	0.03	631,267.15	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	0.02	518,861.41	100.00	0.00	518,861.41	0.03	518,861.41	100.00	0.00
Due from overseas customers	112,405.74	0.01	112,405.74	100.00	0.00	113,533.26	0.01	113,533.26	100.00	0.00
Provision for bad debt on collective basis	2,247,072,763.02	99.97	52,428,007.43	2.33	2,194,644,755.59	1,787,873,593.67	99.96	44,725,556.29	2.50	1,743,148,037.38
Of which:										
Due from domestic customers	1,833,574,111.31	81.57	46,032,641.13	2.51	1,787,541,470.18	1,476,500,020.12	82.55	39,249,778.35	2.66	1,437,250,241.77
Due from overseas customers	413,498,651.71	18.40	6,395,366.30	1.55	407,103,285.41	311,373,573.55	17.41	5,475,777.94	1.76	305,897,795.61
Total	2,247,704,030.17	100.00	53,059,274.58	2.36	2,194,644,755.59	1,788,305,988.34	100.00	45,357,950.96	2.54	1,743,148,037.38

Provision for bad debt on individual basis:

Description	Balance at the End of the Period				Balance at the Beginning of the Year			
	Gross amount	Provision for bad debt	Expected credit loss rate (%)	Reason for provision made	Gross amount	Provision for bad debt	Expected credit loss rate (%)	Reason for provision made
Total (other customers)	631,267.15	631,267.15	100.00	Not expected to be recoverable	632,394.67	632,394.67	100.00	Not expected to be recoverable

NOTES TO THE FINANCIAL STATEMENTS

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

4. Account receivables *(Continued)*

(2) Disclosed by method of provision for bad debt *(Continued)*

Provision for bad debt on collective basis:

Item: Due from domestic customers

	Balance at the End of the Period			Balance at the Beginning of the Year		
	Account receivables	Provision for bad debt	Expected credit loss rate (%)	Account receivables	Provision for bad debt	Expected credit loss rate (%)
Within 3 months (including 3 months)	1,591,360,153.89	16,074,231.17	1.01	1,316,465,183.99	12,987,109.58	0.99
4-6 months (including 6 months)	182,486,974.20	8,936,123.59	4.90	104,277,454.99	5,122,907.33	4.91
7-12 months (including 12 months)	28,360,896.49	2,849,616.28	10.05	22,794,601.94	3,121,893.21	13.70
1-2 years	13,902,889.59	2,787,065.27	20.05	16,001,395.39	3,540,166.47	22.12
2-3 years	6,890,066.30	4,812,473.98	69.85	7,813,086.60	5,329,404.55	68.21
Over 3 years	10,573,130.84	10,573,130.84	100.00	9,148,297.21	9,148,297.21	100.00
Total	1,833,574,111.31	46,032,641.13	2.51	1,476,500,020.12	39,249,778.35	2.66

Item: Due from overseas customers

	Balance at the End of the Period			Balance at the Beginning of the Year		
	Account receivables	Provision for bad debt	Expected credit loss rate (%)	Account receivables	Provision for bad debt	Expected credit loss rate (%)
Within 3 months (including 3 months)	356,895,348.27	3,532,621.22	0.99	256,834,635.61	2,526,508.31	0.98
4-6 months (including 6 months)	56,270,815.01	2,817,073.68	5.01	53,104,248.51	2,639,201.66	4.97
7-12 months (including 12 months)	332,488.43	45,671.40	13.74	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	413,498,651.71	6,395,366.30	1.55	311,373,573.55	5,475,777.94	1.76

NOTES TO THE FINANCIAL STATEMENTS

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

4. Account receivables *(Continued)*

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

	Amount of provision for bad debt
Balance at the Beginning of the Year	45,357,950.96
Provision made for the Period	7,908,310.01
Recovery or reversal for the Period	0.00
Write-off for the Period	206,986.39
Others	0.00
Balance at the End of the Period	53,059,274.58

As at 30 June 2021 and 31 December 2020, the Group had no overdue but unimpaired account receivables.

(4) Actual write-off of account receivables for the Period

Item	Amount written-off
Total (other customers)	206,986.39

(5) Aggregate amount of account receivables due from the top five parties at the End of the Period

The aggregate amount of account receivables due from the top five parties with the largest amounts at the End of the Period was RMB205,951,867.78 for the Period, representing 9.16% of the total amount of account receivables at the End of the Period, and the corresponding total balance of provision for bad debt at the End of the Period was RMB3,066,192.01.

(6) The Group has no derecognized account receivables due to the transfer of financial assets.

(7) The Group has no assets or liabilities formed by its continuous involvement of transferring account receivables.

NOTES TO THE FINANCIAL STATEMENTS

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

5. Prepayments

(1) Disclosure of prepayments by aging analysis

Age	Balance at the End of the Period		Balance at the Beginning of the Year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	332,184,333.21	97.01	133,930,367.63	94.20
1-2 years	8,197,179.47	2.39	6,668,785.74	4.69
2-3 years	752,260.61	0.22	538,448.27	0.38
Over 3 years	1,299,620.99	0.38	1,036,527.60	0.73
Total	342,433,394.28	100.00	142,174,129.24	100.00

(2) Prepayments with five largest amounts by receivers of prepayments at the End of the Period

The aggregate amount of prepayments paid to the five largest receivers of prepayments at the End of the Period was RMB119,668,144.90 for the Period, representing 34.95% of the total balance of prepayments at the End of the Period.

6. Other receivables

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Other receivables	81,438,669.71	74,284,405.28

(1) Other receivables

① Disclosure by aging analysis

Age	Balance at the End of the Period	Balance at the Beginning of the Year
Within 1 year	79,658,205.92	73,085,949.68
1-2 years	3,904,847.89	2,705,729.84
2-3 years	662,330.16	956,049.50
Over 3 years	7,965,258.68	7,845,272.86
Subtotal	92,190,642.65	84,593,001.88
Less: Provision for bad debt	10,751,972.94	10,308,596.60
Total	81,438,669.71	74,284,405.28

NOTES TO THE FINANCIAL STATEMENTS

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

6. Other receivables (Continued)

(1) Other receivables (Continued)

② Disclosure by nature of amounts

Item	Balance at the End of the Period			Balance at the Beginning of the Year		
	Gross amount	Provision for bad debt	Carrying value	Gross amount	Provision for bad debt	Carrying value
Deposits under guarantee, deposits and lease expenses	5,634,988.13	1,454,467.00	4,180,521.13	4,695,982.35	1,380,899.03	3,315,083.32
Reserved fund and advances	23,262,313.41	3,231,126.33	20,031,187.08	18,878,001.60	2,326,764.94	16,551,236.66
Related party balances	2,153,248.23	26,617.42	2,126,630.81	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	15,694,997.58	156,763.72	15,538,233.86	23,764,211.44	250,463.32	23,513,748.12
Amounts of exercised options	33,338,151.50	0.00	33,338,151.50	9,169,356.40	0.00	9,169,356.40
Others	7,106,943.80	882,998.47	6,223,945.33	1,695,954.14	870,926.04	825,028.10
Total	92,190,642.65	10,751,972.94	81,438,669.71	84,593,001.88	10,308,596.60	74,284,405.28

③ Provision for bad debt

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

Category	Gross amount	Expected credit loss rate over the next 12 months (%)	Provision for bad debt	Carrying value	Reason
Provision for bad debt on individual basis	33,338,151.50	0.00	0.00	33,338,151.50	
Amounts of exercised options	33,338,151.50	0.00	0.00	33,338,151.50	Recoverable
Provision for bad debt on collective basis	0.00	0.00	0.00	0.00	–
Total	33,338,151.50	0.00	0.00	33,338,151.50	

NOTES TO THE FINANCIAL STATEMENTS

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

6. Other receivables *(Continued)*

(1) Other receivables *(Continued)*

③ Provision for bad debt *(Continued)*

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

Category	Gross amount	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying value	Reason
Provision for bad debt on individual basis	0.00	0.00	0.00	0.00	–
Provision for bad debt on collective basis	52,879,639.24	9.04	4,779,121.03	48,100,518.21	
Export tax refund receivable	15,694,997.58	1.00	156,763.72	15,538,233.86	
Deposits under guarantee, deposits and lease expenses receivable	5,634,988.13	25.81	1,454,467.00	4,180,521.13	
Other receivables	31,549,653.53	10.04	3,167,890.31	28,381,763.22	
Total	52,879,639.24	9.04	4,779,121.03	48,100,518.21	

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

Category	Gross amount	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying value	Reason
Provision for bad debt on individual basis	5,972,851.91	100.00	5,972,851.91	0.00	
Other receivables	5,972,851.91	100.00	5,972,851.91	0.00	Not expected to be recoverable
Provision for bad debt on collective basis	0.00	0.00	0.00	0.00	–
Total	5,972,851.91	100.00	5,972,851.91	0.00	

NOTES TO THE FINANCIAL STATEMENTS

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)*

Provision for bad debt as at 31 December, 2020:

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 value	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 value	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, deposits and lease expenses receivable	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	

NOTES TO THE FINANCIAL STATEMENTS

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 value	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 debts made, recovered or reversed during the Period

Provision for bad debt	Step 1 Expected credit loss over the next 12 months	Step 2 Expected credit loss over the lifetime (without impairment of credit)	Step 3 Expected credit loss over the lifetime (with impairment of credit)	Total
Balance at the Beginning of the Year	0.00	4,335,744.69	5,972,851.91	10,308,596.60
Movements of balance at the Beginning of the Year during the Period				
– Transferred to Step 2	0.00	0.00	0.00	0.00
– Transferred to Step 3	0.00	-228,412.36	228,412.36	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 made for the Period	0.00	670,920.47	0.00	670,920.47
Reversals during the Period	0.00	0.00	0.00	0.00
Settlement during the Period	0.00	0.00	0.00	0.00
Write-off during the Period	0.00	0.00	228,412.36	228,412.36
Other changes	0.00	868.23	0.00	868.23
Balance at the End of the Period	0.00	4,779,121.03	5,972,851.91	10,751,972.94

NOTES TO THE FINANCIAL STATEMENTS

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

6. Other receivables (Continued)

(1) Other receivables (Continued)

- ⑤ Other receivables actually written off during the Period

Item	Amount written off
Total (other customers)	228,412.36

- ⑥ Aggregate amount of other receivables due from the top five parties with the largest amounts at the End of the Period

Name of entity	Nature of amount	Balance of other receivables at the End of the Period	Age	Percentage in the total balance of other receivables at the End of the Period (%)	Provision for bad debts at the end of the Period
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	33,338,151.50	Within 1 year	36.16	0.00
Tax refunds on exports	Export tax refund	15,694,997.58	Within 1 year	17.03	156,763.72
Guangzhou Galaxy Sunshine Biological Products Co., Ltd. (廣州銀河陽光生物製品有限公司)	Borrowings	5,000,000.00	Over 5 years	5.43	5,000,000.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Power costs	1,338,551.32	Within 1 year	1.45	17,936.59
Pioneer Time Investment Limited	Lease expenses and deposit	832,733.38	1-2 years	0.90	166,546.68
Total	-	56,204,433.78	-	60.97	5,341,246.99

- ⑦ The Group has not derecognised other receivables due to the transfer of financial assets.

- ⑧ The Group has no assets or liabilities formed by its continuous involvement of transferring other receivables.

NOTES TO THE FINANCIAL STATEMENTS

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

7. Inventories

(1) Inventories by types

Item	Balance at the End of the Period			Balance at the Beginning of the Year		
	Gross amount	Provision for diminution in value	Carrying amount	Gross amount	Provision for diminution in value	Carrying amount
Raw materials	399,322,129.18	6,181,768.13	393,140,361.05	409,252,146.81	20,555,748.91	388,696,397.90
Packaging materials	66,309,341.05	1,000,167.65	65,309,173.40	44,697,655.81	6,432,624.89	38,265,030.92
Goods in process	221,620,243.57	81,439.01	221,538,804.56	211,526,923.16	0.00	211,526,923.16
Finished goods	709,385,369.34	30,830,389.39	678,554,979.95	784,336,751.24	27,934,585.19	756,402,166.05
Sub-contracting materials	245,998.44	0.00	245,998.44	1,863,102.15	0.00	1,863,102.15
Low-value consumables	56,635,474.58	53,345.84	56,582,128.74	18,794,613.89	60,456.04	18,734,157.85
Goods in transit	7,386,923.73	0.00	7,386,923.73	16,254,228.12	0.00	16,254,228.12
Consumable biological assets	11,985,042.19	0.00	11,985,042.19	11,511,335.81	0.00	11,511,335.81
Proprietary semi-finished goods	26,697,005.83	0.00	26,697,005.83	45,838,705.61	1,295,657.59	44,543,048.02
Total	1,499,587,527.91	38,147,110.02	1,461,440,417.89	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 Period		Decrease during the Period		Balance at the End of the Period
		Provision	Other	Reversed or written off	Other	
Raw materials	20,555,748.91	2,345,950.63	0.00	16,719,931.41	0.00	6,181,768.13
Packaging materials	6,432,624.89	1,144,995.29	0.00	6,577,452.53	0.00	1,000,167.65
Work in progress	0.00	81,439.01	0.00	0.00	0.00	81,439.01
Finished goods	27,934,585.19	24,950,790.36	0.00	22,054,986.16	0.00	30,830,389.39
Low-value consumables	60,456.04	265.50	0.00	7,375.70	0.00	53,345.84
Proprietary semi-finished goods	1,295,657.59	0.00	0.00	1,295,657.59	0.00	0.00
Total	56,279,072.62	28,523,440.79	0.00	46,655,403.39	0.00	38,147,110.02

NOTES TO THE FINANCIAL STATEMENTS

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 realisable value/ remaining consideration and the cost to be incurred	Reason for reversal or write off provision for diminution in value of inventories/impairment provision for contract performance cost during the Period
Raw materials	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	Processing, sale of finished goods and discard
Packaging materials	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	Processing, sale of finished goods and discard
Work in progress	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	—
Finished goods	The estimated selling price less the estimated selling expenses and related taxes	Sale and discard
Low-value consumables	The estimated selling price less the 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) In the balance at the End of the Period of the inventories of the Group, no borrowing costs had been capitalised.

8. Non-current assets due within one year

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Long-term receivables due within one year	0.00	11,414,376.07

NOTES TO THE FINANCIAL STATEMENTS

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

9. Other current assets

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Input VAT pending deduction/attestation	2,171,915.77	4,127,730.39
Remaining VAT credit	27,881,614.79	27,022,139.55
Advance payment of income tax	10,986,655.62	8,712,739.55
Other	1,683,874.68	0.00
Total	42,724,060.86	39,862,609.49

10. Long-term receivables

(1) Long-term receivables by nature

Item	Balance at the End of the Period			Balance at the Beginning of the Year			
	Gross amount	Provision for bad debts	Carrying value	Gross amount	Provision for bad debts	Carrying value	Range of discount rate
Receivables from equity transferred by installments	0.00	0.00	0.00	10,967,767.26	0.00	10,967,767.26	5.00%
Finance lease payment	584,284.36	0.00	584,284.36	1,030,893.17	0.00	1,030,893.17	4.75%
Subtotal	584,284.36	0.00	584,284.36	11,998,660.43	0.00	11,998,660.43	
Less: Long-term receivables due within one year	0.00	0.00	0.00	11,414,376.07	0.00	11,414,376.07	
Total	584,284.36	0.00	584,284.36	584,284.36	0.00	584,284.36	

(2) The Group's long-term receivables have not been overdue.

(3) The Group has no derecognised long-term receivables out of transfer of financial assets.

(4) The Group has no assets or liabilities formed by its continuous involvement of transferring long-term receivables.

NOTES TO THE FINANCIAL STATEMENTS

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

11. Long-term equity investments

Investee	Change during the Period								Balance of provision for impairment at the End of the Period	
	Balance at the Beginning of the Year	Acquired/ additional investment	Investment disposed of	Investment profit and loss under the 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	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	11,187,150.70	0.00	0.00	0.00	0.00	0.00	83,459,138.23
Shenzhen City Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	1,080,543.04	0.00	0.00	44,123.07	0.00	0.00	0.00	0.00	0.00	1,124,666.11
AbCyte Therapeutics Inc.	16,183,351.42	0.00	0.00	-367,057.18	0.00	0.00	0.00	0.00	0.00	15,816,494.24
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	-844,668.34	0.00	2,658,626.68	0.00	0.00	0.00	15,838,077.43
Zhuihai 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	-14,555,455.09	0.00	0.00	0.00	0.00	0.00	17,084,329.63
Aetio Biotherapy, Inc.	17,647,744.60	0.00	0.00	-752,701.47	0.00	0.00	0.00	0.00	0.00	16,895,043.13
Henan Province Jointcare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	21,997,148.70	0.00	0.00	-2,203,547.33	0.00	0.00	0.00	0.00	0.00	19,793,601.37
Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd. (江蘇新元素醫藥科技有限公司)	70,260,600.00	0.00	0.00	-1,025,739.02	0.00	0.00	0.00	0.00	0.00	69,234,860.98
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	14,751,708.09	0.00	0.00	40,040,000.00	0.00	0.00	698,711,708.09
Infinite Intelligence Pharma (北京英智醫藥科技有限公司)	0.00	20,000,000.00	0.00	-260,176.46	0.00	0.00	0.00	0.00	0.00	19,739,823.54
Total	246,315,479.10	744,000,000.00	0.00	5,963,636.97	0.00	2,658,626.68	40,040,000.00	0.00	0.00	958,897,742.75

NOTES TO THE FINANCIAL STATEMENTS

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

12. Other equity instrument investments

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)	170,772,300.00	170,772,300.00
GLOBAL HEALTH SCIENCE	227,873,899.09	246,837,324.35
SCC VENTURE VI 2018-B, L.P.	13,566,215.68	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	31,350,997.34	29,583,312.39
Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物醫藥(上海)有限公司)	30,000,000.00	30,000,000.00
ELICIO THERAPEUTICS, INC.	32,300,513.52	32,624,491.32
CARISMA THERAPEUTICS, INC	32,298,919.16	32,622,880.98
Others	9,471,647.24	9,958,802.04
Total	547,634,492.03	742,974,792.15

As the aforesaid project is a long-term investment that the Group plans to hold for strategic purposes, the Group designates it as a financial asset measured at fair value through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

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

12. Other equity instrument investments *(Continued)*

Item	Dividend income recognized for the Period	Cumulative gains	Cumulative losses	Amount transferred from other comprehensive income to retained earnings	Reason for transfer
Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)	0.00	0.00	0.00	0.00	–
GLOBAL HEALTH SCIENCE	0.00	0.00	0.00	0.00	–
SCC VENTURE VI 2018-B, L.P.	0.00	0.00	0.00	0.00	–
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	8,153,391.88	0.00	0.00	0.00	–
Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物醫藥(上海)有限公司)	0.00	0.00	0.00	0.00	–
ELICIO THERAPEUTICS, INC.	0.00	0.00	0.00	0.00	–
CARISMA THERAPEUTICS, INC	0.00	0.00	0.00	0.00	–
Others	0.00	0.00	0.00	34,295,275.82	Disposal
Total	8,153,391.88	0.00	0.00	171,926,789.47	

13. Fixed assets

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Fixed assets	3,464,937,811.44	3,303,077,566.22
Disposal of fixed assets	0.00	0.00
Total	3,464,937,811.44	3,303,077,566.22

NOTES TO THE FINANCIAL STATEMENTS

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. Additions for the Period	86,435,773.80	229,719,122.90	5,623,379.34	50,308,613.89	372,086,889.93
(1) Acquisition	16,784,506.45	96,361,351.74	5,623,379.34	45,487,546.44	164,256,783.97
(2) Construction in progress transferred	69,651,267.35	133,357,771.16	0.00	4,821,067.45	207,830,105.96
3. Decrease for the Period	916,003.02	49,583,912.30	3,357,039.45	19,350,577.16	73,207,531.93
(1) Disposal or written-off	916,003.02	49,583,912.30	3,226,875.00	19,350,577.16	73,077,367.48
(2) Others	0.00	0.00	130,164.45	0.00	130,164.45
4. Balance at the End of the Period	3,076,783,111.21	2,952,272,222.47	76,993,008.55	432,859,116.50	6,538,907,458.73
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. Additions for the Period	70,551,349.71	104,895,421.98	5,030,250.50	21,675,587.47	202,152,609.66
(1) Provision	70,551,349.71	104,895,421.98	5,030,250.50	21,675,587.47	202,152,609.66
3. Decrease for the Period	157,644.14	41,045,561.88	2,870,855.63	15,385,560.26	59,459,621.91
(1) Disposal or written-off	157,644.14	41,045,561.88	2,803,097.51	15,385,560.26	59,391,863.79
(2) Others	0.00	0.00	67,758.12	0.00	67,758.12
4. Balance at the End of the Period	1,146,858,959.96	1,556,933,511.20	56,061,397.58	265,238,381.81	3,025,092,250.55
III. Impairment provision					
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 for the Period	0.00	87,535.69	0.00	2,945.34	90,481.03
(1) Provision	0.00	87,535.69	0.00	2,945.34	90,481.03
3. Decrease for the Period	0.00	5,601,051.84	35,856.87	127,447.29	5,764,356.00
(1) Disposal or written-off	0.00	5,601,051.84	35,856.87	127,447.29	5,764,356.00
4. Balance at the End of the Period	21,464,209.68	26,141,167.54	41,578.65	1,230,440.87	48,877,396.74
IV. Carrying amounts					
1. Carrying amount at the End of the Period	1,908,459,941.57	1,369,197,543.73	20,890,032.32	166,390,293.82	3,464,937,811.44
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

NOTES TO THE FINANCIAL STATEMENTS

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

13. Fixed assets *(Continued)*

(1) Fixed assets *(Continued)*

- ② Temporarily idled fixed assets

Item	Original book value	Accumulated depreciation	Provision for impairment	Carrying amount	Note
Plant and building	22,023,017.75	11,780,967.97	0.00	10,242,049.78	
Machinery and equipment	37,591,241.84	30,174,910.17	3,589,547.20	3,826,784.47	
Electronic devices and others	877,408.53	809,785.43	0.00	67,623.10	
Total	60,491,668.12	42,765,663.57	3,589,547.20	14,136,457.35	

- ③ The Group has no fixed assets leased in under finance leases.

- ④ Fixed assets leased out under operating leases

Item	Carrying amount
Plant and building	864,441.04

- ⑤ Fixed assets pending for certificates of ownership

Item	Carrying amount	Reason for pending for certificate of ownership
Plant and building	160,116,036.18	Being in progress

NOTES TO THE FINANCIAL STATEMENTS

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

14. Construction in progress

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Construction in progress	524,008,250.29	385,700,738.39
Construction supplies	0.00	0.00
Total	524,008,250.29	385,700,738.39

(1) Construction in progress

① Breakdown of construction in progress

Item	Balance at the End of the Period			Balance at the Beginning of the Year		
	Gross amount	Provision for impairment	Net carrying amount	Gross amount	Provision for impairment	Net carrying amount
Guangda New Factory Project (光大新廠項目)	87,929,862.91	0.00	87,929,862.91	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)	59,455,887.45	0.00	59,455,887.45	95,851,873.91	0.00	95,851,873.91
Project of Shijiao New Factory (石角新廠項目)	201,555,415.17	0.00	201,555,415.17	154,752,745.97	0.00	154,752,745.97
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	26,506,202.62	0.00	26,506,202.62	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)	9,004,024.25	0.00	9,004,024.25	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)	68,839,698.64	0.00	68,839,698.64	1,559,405.27	0.00	1,559,405.27
Project of lyophilized powder injection workshop (凍乾粉針車間項目)	31,220,016.77	0.00	31,220,016.77	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)	2,962,844.93	0.00	2,962,844.93	307,744.41	0.00	307,744.41
Others	36,703,638.01	169,340.46	36,534,297.55	35,751,450.17	169,340.46	35,582,109.71
Total	524,177,590.75	169,340.46	524,008,250.29	385,870,078.85	169,340.46	385,700,738.39

NOTES TO THE FINANCIAL STATEMENTS

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

14. Construction in progress (Continued)

(1) Construction in progress (Continued)

② Changes of significant construction in progress

Name of Project	Balance at the Beginning of the Year	Additions for the Period	Transferred to fixed asset	Other deduction	Accumulated amount of the interest capitalised	Of which: Interest capitalised for the Period	Interest capitalized rate for the Period (%)	Balance at the End of the Period
Guangda New Factory Project (光大新廠項目)	64,845,632.88	23,084,230.03	0.00	0.00	0.00	0.00	0.00	87,929,862.91
Fuxing Company Phase I & II Projects and others (福興公司一、二期項目及其他)	95,851,873.91	24,869,233.35	61,265,219.81	0.00	0.00	0.00	0.00	59,455,887.45
Project of Shijiao New Factory (石角新廠項目)	154,752,745.97	46,802,669.20	0.00	0.00	0.00	0.00	0.00	201,555,415.17
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	16,500,619.41	20,125,321.77	10,119,738.56	0.00	0.00	0.00	0.00	26,506,202.62
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	2,749,586.32	1,551,096.85	0.00	0.00	0.00	0.00	9,004,024.25
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	67,280,293.37	0.00	0.00	0.00	0.00	0.00	68,839,698.64
Project of lyophilized powder injection workshop (凍乾粉針車間項目)	8,495,072.05	22,724,944.72	0.00	0.00	0.00	0.00	0.00	31,220,016.77
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	113,256,299.33	110,601,198.81	0.00	0.00	0.00	0.00	2,962,844.93
Others	35,751,450.17	25,425,039.77	24,292,851.93	180,000.00	0.00	0.00	0.00	36,703,638.01
Total	385,870,078.85	346,317,617.86	207,830,105.96	180,000.00	0.00	0.00	0.00	524,177,590.75

NOTES TO THE FINANCIAL STATEMENTS

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

14. Construction in progress (Continued)

(1) Construction in progress (Continued)

② Changes of significant construction in progress (continued)

Name of project	Budgeted amount	Percentage of accumulated cost incurred over budgeted amount (%)	Construction progress	Sources of funds
Guangda New Factory Project (光大新廠項目)	646,000,000.00	13.61	Under construction	Self-funding
Fuxing Company Phase I & II Projects and others (福興公司一、二期項目及其他)	378,090,800.00	54.14	Completion of some projects	Self-funding
Project of Shijiao New Factory (石角新廠項目)	377,005,000.00	54.83	Completion of some projects	Self-funding and funds raised
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	259,737,830.00	35.49	Completion of some projects	Self-funding
Construction Project for Microsphere Workshop (including Gose) of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間 (含戈舍) 建設項目)	262,445,000.00	50.98	Completion of some projects	Self-funding and funds raised
P06 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P06建設項目)	114,000,000.00	60.39	Under construction	Self-funding
Project of lyophilized powder injection workshop (凍乾粉針車間項目)	143,500,000.00	21.76	Under construction	Self-funding and funds raised
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	38.29	Under construction	Self-funding
Others	—	—	—	Self-funding
Total	2,477,358,630.00	—	—	—

Other deduction mainly refers to transfer of long-term deferred expenses.

NOTES TO THE FINANCIAL STATEMENTS

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 Period	6,313,476.37	6,313,476.37
(1) Leasing	6,313,476.37	6,313,476.37
3. Decrease during the Period	0.00	0.00
4. Balance at the End of the Period	36,910,873.13	36,910,873.13
II. Accumulated depreciation		
1. Balance at the Beginning of the Year	12,286,018.69	12,286,018.69
2. Addition during the Period	7,916,549.03	7,916,549.03
(1) Provision	7,916,549.03	7,916,549.03
3. Decrease during the Period	0.00	0.00
4. Balance at the End of the Period	20,202,567.72	20,202,567.72
III. Provision for impairment		
1. Balance at the Beginning of the Year	0.00	0.00
2. Addition during the Period	0.00	0.00
3. Decrease during the Period	0.00	0.00
4. Balance at the End of the Period	0.00	0.00
IV. Carrying amount		
1. Carrying amount at the End of the Period	16,708,305.41	16,708,305.41
2. Carrying amount at the Beginning of the Year	18,311,378.07	18,311,378.07

During the Period, the Group recognized lease expenses related to short-term leases and the leases of low value assets of RMB2.7160 million.

NOTES TO THE FINANCIAL STATEMENTS

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 Period	0.00	41,903,618.64	3,209,790.67	0.00	0.00	45,113,409.31
(1) Acquisition	0.00	0.00	3,209,790.67	0.00	0.00	3,209,790.67
(2) Internal R&D	0.00	41,903,618.64	0.00	0.00	0.00	41,903,618.64
3. Decrease for the Period	0.00	6,666,667.00	70,796.46	0.00	0.00	6,737,463.46
(1) Disposal	0.00	0.00	70,796.46	0.00	0.00	70,796.46
(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 Period	267,839,618.26	261,692,847.69	58,795,348.59	24,000.00	10,985,294.53	599,337,109.07
II. Accumulated amortisation						
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 Period	2,387,537.16	2,525,997.50	2,655,754.78	0.00	761,378.28	8,330,667.72
(1) Provision	2,387,537.16	2,525,997.50	2,655,754.78	0.00	761,378.28	8,330,667.72
3. Decrease for the Period	0.00	500,000.04	21,238.94	0.00	0.00	521,238.98
(1) Disposal	0.00	0.00	21,238.94	0.00	0.00	21,238.94
(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 Period	84,670,634.23	191,122,190.44	40,084,984.24	24,000.00	5,247,040.20	321,148,849.11
III. Provision for impairment						
1. Balance at the Beginning of the Year	981,826.94	10,209,166.76	0.00	0.00	0.00	11,190,993.70
2. Additions for the Period	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease for the Period	0.00	0.00	0.00	0.00	0.00	0.00
4. Balance at the End of the Period	981,826.94	10,209,166.76	0.00	0.00	0.00	11,190,993.70
IV. Carrying amounts						
1. Carrying amount at the End of the Period	182,187,157.09	60,361,490.49	18,710,364.35	0.00	5,738,254.33	266,997,266.26
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 Period is 9.97%.

NOTES TO THE FINANCIAL STATEMENTS

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

16. Intangible assets *(Continued)*

(2) Intangible assets pending for certificates of ownership

Item	Carrying amount	Reason for pending for certificate of ownership
Land use rights	4,227,092.83	Being 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.

17. Development Expenditure

Item	Balance at the Beginning of the Year	Increase for the Period		Decrease for the Period		Balance at the End of the Period
		Internal development expenditure	Other increases	Recognized as intangible assets	Recognized in profit and loss for current period	
Biologics	213,261,084.53	29,399,825.85	0.00	38,805,707.06	0.00	203,855,203.32
Chemical drug preparation	38,128,125.04	9,014,515.62	0.00	3,097,911.58	0.00	44,044,729.08
Total	251,389,209.57	38,414,341.47	0.00	41,903,618.64	0.00	247,899,932.40

Item	Time for commencement of capitalisation	Specific basis of capitalisation	Progress of R&D as at the End of the Period
Chemical drug preparation	Clinical trial	Obtain approval for clinical trial and evaluated by the Group	Clinical stage
Biologics	Clinical trial	Obtain approval for clinical trial and evaluated by the Group	Clinical stage

NOTES TO THE FINANCIAL STATEMENTS

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

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 for the Period		Decrease for the Period		Balance at the End of the Period
		Arose from business combination	Others	Disposal	Others	
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	47,912,269.66	0.00	0.00	0.00	0.00	47,912,269.66
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	13,863,330.24	0.00	0.00	0.00	0.00	13,863,330.24
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	46,926,155.25	0.00	0.00	0.00	0.00	46,926,155.25
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	7,271,307.03	0.00	0.00	0.00	0.00	7,271,307.03
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	2,045,990.12	0.00	0.00	0.00	0.00	2,045,990.12
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	3,492,752.58	0.00	0.00	0.00	0.00	3,492,752.58
Total	121,511,804.88	0.00	0.00	0.00	0.00	121,511,804.88

(2) Provision for impairment of goodwill

Name of investee or the matter of goodwill arisen	Balance at the Beginning of the Year	Increase for the Period		Decrease for the Period		Balance at the End of the Period
		Provision	Others	Disposal	Others	
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	11,200,000.00	0.00	0.00	0.00	0.00	11,200,000.00
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	7,271,307.03	0.00	0.00	0.00	0.00	7,271,307.03
Total	18,471,307.03	0.00	0.00	0.00	0.00	18,471,307.03

NOTES TO THE FINANCIAL STATEMENTS

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

18. Goodwill *(Continued)*

(2) Provision for impairment of goodwill *(Continued)*

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

On the balance sheet date, the Company conducted impairment test on goodwill and adopted the asset groups related to goodwill to estimate the present value of the future cash flow when estimating the recoverable amount of the investment cost.

The estimated future cash flow of asset groups is calculated according to the five-year financial budget plan made by the management, the cash flows in the years beyond the five-year budget plan remain stable.

Key assumptions of discounted future cash flow for goodwill impairment test are as follows:

For the calculation of estimated present value of future cash flow of the asset groups related to goodwill of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), key assumptions are a gross margin of 75.25%-77.68% and a business revenue growth rate of 0~23.45% as well as a cash flow discount rate of 14.72%. The management took into account historical conditions and predictions for future market development in making the above assumptions.

For the calculation of estimated present value of future cash flow of the asset groups related to goodwill of Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司), key assumptions are a gross margin of 66.52%-69.40% and a business revenue growth rate of 0~21.62% as well as a cash flow discount rate of 15.15%. The management took into account historical conditions and predictions for future market development in making the above assumptions.

For the calculation of estimated present value of future cash flow of the asset groups related to goodwill of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司), key assumptions are a gross margin of 54.90%-60.86% and a business revenue growth rate of 0~16.17% as well as a cash flow discount rate of 15.04%. The management took into account historical conditions and predictions for future market development in making above assumptions.

As tested, the management of the Company expects that no impairment provision is needed during the Reporting Period.

NOTES TO THE FINANCIAL STATEMENTS

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 for the Period	Decrease for the Period		Balance at the End of the Period
			Amortisation for the Period	Other decrease	
Renovation costs of offices	22,871,369.89	1,789,091.35	1,144,716.30	696.58	23,515,048.36
Renovation costs of plants	76,601,849.05	4,397,210.13	4,381,677.60	0.00	76,617,381.58
Resins and fillers	12,877,243.29	7,474,611.61	6,292,664.01	0.00	14,059,190.89
Others	9,751,310.35	7,485,466.17	1,730,957.62	0.00	15,505,818.90
Total	122,101,772.58	21,146,379.26	13,550,015.53	696.58	129,697,439.73

20. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets and deferred income tax liabilities without offsetting

Item	Balance at the End of the Period		Balance at the Beginning of the Year	
	Deductible/ taxable temporary difference	Deferred income tax assets/liabilities	Deductible/ taxable temporary difference	Deferred income tax assets/liabilities
Deferred income tax assets:				
Provision for impairment of assets	191,616,594.00	31,123,516.77	205,356,430.84	32,323,935.29
Accrued expenses	262,359,496.38	40,425,651.38	331,698,969.35	50,732,600.47
Deductible losses	0.00	0.00	82,722,927.16	12,497,349.09
Deferred income	254,929,335.15	38,258,400.28	256,049,280.06	38,427,392.00
Unrealized gains from intra-company transactions	451,419,693.24	67,924,376.32	527,419,759.41	79,324,386.26
Share incentive costs	55,267,305.68	8,295,692.79	48,355,411.54	7,258,101.73
Changes in fair value	515,618.12	80,814.96	5,004.11	1,229.82
Other deductible temporary difference	138,120,731.68	20,718,109.75	117,745,297.25	17,661,794.59
Subtotal	1,354,228,774.25	206,826,562.25	1,569,353,079.72	238,226,789.25
Deferred income tax liabilities:				
Valuation of financial instruments held for trading and derivative financial instruments	17,689,686.66	2,739,517.04	16,492,776.21	3,013,647.66
Changes in fair value of other equity instruments through other comprehensive income	128,539,930.14	19,777,390.37	290,595,798.40	46,516,608.63
Accelerated depreciation of fixed assets	602,549,563.46	90,938,715.69	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	805,719,180.26	121,996,623.10	928,377,493.54	143,279,875.31

NOTES TO THE FINANCIAL STATEMENTS

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 deferred income tax assets not recognised

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Deductible temporary difference	294,800,299.45	293,350,409.60
Deductible losses	1,251,322,106.18	1,061,605,111.16
Total	1,546,122,405.63	1,354,955,520.76

(3) Deductible loss of deferred income tax assets not recognised will be due in the following years

Year	Balance at the End of the Period	Balance at the Beginning of the Year	Note
2021	93,849,865.81	93,908,149.76	
2022	132,891,957.05	132,891,957.05	
2023	177,219,142.24	177,946,621.74	
2024	383,500,142.50	383,554,848.28	
2025	253,542,909.12	266,868,262.30	
2026	204,685,677.80	0.00	
Indefinite	5,632,411.66	6,435,272.03	
Total	1,251,322,106.18	1,061,605,111.16	

NOTES TO THE FINANCIAL STATEMENTS

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

21. Other non-current assets

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Remaining VAT credit	48,613,133.35	33,826,183.51
Prepayment for acquisition of project and equipment	238,517,673.60	241,125,619.01
Prepayment for acquisition of technical know-how	47,353,109.07	41,553,749.30
Total	334,483,916.02	316,505,551.82

22. Short-term loans

(1) Classification of short-term loans

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Loans on credit	1,390,704,871.11	1,350,000,000.00
Loans on guarantee	371,215,105.43	200,942,804.06
Total	1,761,919,976.54	1,550,942,804.06

(2) The Group has no outstanding and overdue short-term loans.

23. Financial liabilities held for trading

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Financial liabilities held for trading	481,103.14	212.07
Of which:		
Derivative financial liabilities	481,103.14	212.07
Total	481,103.14	212.07

Derivative financial liabilities represent foreign currency forward contracts, loss from unexpired contracts measured at fair value was recognised as financial liabilities held for trading at balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

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

24. Bills payables

Type	Balance at the End of the Period	Balance at the Beginning of the Year
Bank acceptance bills	1,174,176,103.65	918,007,030.57

The Group has no due but unpaid bills payables for the Period.

25. Accounts payables

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Within 3 months (including 3 months)	526,979,766.83	571,910,893.64
4 to 6 months (including 6 months)	85,414,613.26	55,177,594.94
7 to 12 months (including 12 months)	26,800,894.87	29,908,123.16
1 to 2 years (including 2 years)	28,929,422.88	19,734,976.50
Over 2 years	19,478,867.94	30,055,369.43
Total	687,603,565.78	706,786,957.67

As at the End of the Period, there was no significant accounts payables aged over 1 year.

26. Contract liabilities

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Within 1 year	37,042,270.59	99,490,312.51
Over 1 year	25,371,455.16	4,955,114.75
Total	62,413,725.75	104,445,427.26

As at the End of the Period, there was no significant contract liabilities aged over 1 year; the amount of income recognized during the Period which was included in the carrying amount of the contract liabilities at the Beginning of the Year is RMB56,864,925.40.

NOTES TO THE FINANCIAL STATEMENTS

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

27. Employee benefits payables

Item	Balance at the Beginning of the Year	Increase for the Period	Decrease for the Period	Balance at the End of the Period
Short-term remuneration	361,975,212.83	595,849,335.59	796,592,747.54	161,231,800.88
Post-resignation benefits-defined contribution plans	0.00	38,537,741.53	38,407,190.63	130,550.90
Dismissal benefits	1,441,038.00	343,144.63	487,961.63	1,296,221.00
Total	363,416,250.83	634,730,221.75	835,487,899.80	162,658,572.78

(1) Short-term remuneration

Item	Balance at the Beginning of the Year	Increase for the Period	Decrease for the Period	Balance at the End of the Period
Salaries, bonuses, allowances and subsidies	242,865,494.55	520,719,006.93	619,808,475.03	143,776,026.45
Employee welfare	791,889.74	20,967,804.37	20,970,979.64	788,714.47
Social insurance	0.00	19,619,525.63	19,561,925.26	57,600.37
Of which: 1. Medical insurances	0.00	17,473,286.50	17,423,146.17	50,140.33
2. Work-related injury insurances	0.00	770,151.38	766,421.36	3,730.02
3. Maternity insurances	0.00	1,376,087.75	1,372,357.73	3,730.02
Housing provident fund	794,482.00	17,301,106.39	17,807,121.39	288,467.00
Labour union fees and employee education fees	62,255.75	997,299.31	983,156.22	76,398.84
Special funds of the share ownership scheme	117,461,090.79	16,244,592.96	117,461,090.00	16,244,593.75
Total	361,975,212.83	595,849,335.59	796,592,747.54	161,231,800.88

NOTES TO THE FINANCIAL STATEMENTS

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

27. Employee benefits payables *(Continued)*

(2) Defined contribution plan

Item	Balance at the Beginning of the Year	Increase for the Period	Decrease for the Period	Balance at the End of the Period
Post-resignation benefits	0.00	38,537,741.53	38,407,190.63	130,550.90
Of which: 1. Basic pension insurance	0.00	37,297,994.68	37,173,038.82	124,955.86
2. Unemployment insurance	0.00	1,239,746.85	1,234,151.81	5,595.04
Total	0.00	38,537,741.53	38,407,190.63	130,550.90

The Group participates in pension insurance and unemployment insurance plans established by the government in accordance with relevant requirements. According to the plans, the Group makes contributions to these plans in accordance with relevant requirements of the local government. Save for the above contributions, the Group no longer undertakes further payment obligation. The corresponding cost is charged to the profit or loss for the current period or the cost of relevant assets when it occurs.

28. Taxes payables

Taxes	Balance at the End of the Period	Balance at the Beginning of the Year
Value added tax	67,608,425.87	51,689,249.26
Urban maintenance and construction tax	5,714,996.95	5,019,522.87
Enterprise income tax	118,152,227.63	179,505,599.65
Property tax	7,309,604.82	2,879,722.25
Land use tax	1,720,899.20	961,020.56
Individual income tax	10,527,160.17	4,154,893.72
Stamp duty	467,473.30	509,959.58
Education surcharges	4,157,667.63	3,461,056.79
Flood prevention fee	20,300.76	20,300.76
Others	502,181.31	614,582.50
Total	216,180,937.64	248,815,907.94

NOTES TO THE FINANCIAL STATEMENTS

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

29. Other payables

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Dividends payable	27,419,951.42	8,418,590.50
Other payables	2,378,127,309.88	2,167,249,652.65
Total	2,405,547,261.30	2,175,668,243.15

(1) Dividends payable

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Dividends on ordinary shares	20,488,141.42	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	27,419,951.42	8,418,590.50

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	—

NOTES TO THE FINANCIAL STATEMENTS

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

29. Other payables *(Continued)*

(2) Other payables

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Office expenses	60,338,410.75	54,635,910.63
Deposits under guarantees	71,086,835.12	77,967,267.29
Business promotion expenses	1,331,846,841.10	1,161,104,890.76
Technology transfer funds	13,446,534.45	10,072,731.53
Related party balances	6,574,389.97	5,695,618.89
Accrued expenses	847,135,320.53	817,488,106.66
Others	47,698,977.96	40,285,126.89
Total	2,378,127,309.88	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 Period.

Of which, the breakdown of accrued expenses were as follows:

Item	Balance at the End of the Period	Balance at the Beginning of the Year	Reason for outstanding at the End of the Period
Utilities expenses	16,220,090.68	23,215,689.01	Not yet paid
Research expenses	30,383,351.14	28,919,052.18	Not yet paid
Business promotion expenses	743,570,786.51	698,563,270.01	Not yet paid
Advertising expenses	266,371.28	266,371.28	Not yet paid
Business meeting expenses	9,124,935.00	11,735,159.40	Not yet paid
Auditing and information disclosure expenses	3,888,499.36	2,555,835.79	Not yet paid
Others	43,681,286.56	52,232,728.99	Not yet paid
Total	847,135,320.53	817,488,106.66	

30. Non-current liabilities due within one year

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Lease liabilities due within one year	10,033,022.95	8,539,077.05

NOTES TO THE FINANCIAL STATEMENTS

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

31. Other current liabilities

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Tax for items pending for settlement	4,754,676.57	6,267,034.79

32. Long-term loans

Item	Balance at the End of the Period	Interest rate range	Balance at the Beginning of the Year	Interest rate range
Loans on credit	638,453,815.00	3.55%-3.70%	360,324,027.48	3.55%-3.60%
Subtotal	638,453,815.00		360,324,027.48	
Less: Long-term loans due within 1 year	0.00		0.00	
Total	638,453,815.00		360,324,027.48	

33. Lease liabilities

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Amount payable under lease	17,120,047.52	18,638,102.47
Less: Lease liabilities due within one year	10,033,022.95	8,539,077.05
Total	7,087,024.57	10,099,025.42

During January to June 2021, the amount of interest expenses of lease liabilities was RMB0.6111 million, which was recorded in finance expenses – interest expenses.

34. Deferred income

Item	Balance at the Beginning of the Year	Increase for the Period	Decrease for the Period	Balance at the End of the Period	Reason
Government grants	276,141,923.64	21,489,500.00	23,898,008.19	273,733,415.45	

For details of the government grants included in deferred income, see Note V.62. Government grants.

NOTES TO THE FINANCIAL STATEMENTS

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

35. Other non-current liabilities

Item	Balance at the End of the Period	Balance at the Beginning of the Year
The overall relocation and expansion project of Sichuan Guangda Pharmaceutical Manufacturing	78,000,000.00	78,000,000.00

36. Share capital

January to June 2021

Item	Balance at the Beginning of the Year		Changes for the Period (+ -)					Balance at the End of the Period	
	Amount	Percentage (%)	Issuance of new shares	Number 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	133,087	0.00	0.00	0.00	133,087	2,455,381	0.26
Of which: Domestic legal person shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Domestic natural person shares	2,322,294	0.25	133,087	0.00	0.00	0.00	133,087	2,455,381	0.26
Funds and wealth management products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Foreign shares	30,420	0.00	22,815	0.00	0.00	0.00	22,815	53,235	0.01
Of which: Overseas legal person shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Overseas natural person shares	30,420	0.00	22,815	0.00	0.00	0.00	22,815	53,235	0.01
Shares subject to selling restrictions in aggregate	19,659,043	2.08	155,902	0.00	0.00	0.00	155,902	19,814,945	2.12
II. Shares not subject to selling restrictions									
1. Ordinary shares denominated in Renminbi	605,312,136	64.07	3,485,149	0.00	0.00	-6,093,808	-2,608,659	602,703,477	64.41
2. Domestically listed foreign shares (B-share)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Overseas listed foreign shares (H-share)	319,864,217	33.85	0.00	0.00	0.00	-6,628,600	-6,628,600	313,235,617	33.47
4. Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares not subject to selling restrictions in aggregate	925,176,353	97.92	3,485,149	0.00	0.00	-12,722,408	-9,237,259	915,939,094	97.88
III. Total number of shares	944,835,396	100.00	3,641,051	0.00	0.00	-12,722,408	-9,081,357	935,754,039	100.00

According to the relevant requirements of the 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 2,508,616 locked shares held by the senior management.

NOTES TO THE FINANCIAL STATEMENTS

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

36. Share capital (Continued)

January to June 2020

Item	Balance at the Beginning of the Year		Changes for the Period (+ -)					Balance at the End of the Period	
	Amount	Percentage (%)	Issuance of new shares	Number of bonus shares	Reserve fund capitalized	Others	Subtotal	Amount	Percentage (%)
I. Shares subject to selling restrictions									
1. State-owned shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. State-owned legal person shares	17,306,329	1.85	0.00	0.00	0.00	0.00	0.00	17,306,329	1.84
3. Other domestic shares	2,094,797	0.22	0.00	0.00	0.00	149,038	149,038	2,243,835	0.24
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	2,094,797	0.22	0.00	0.00	0.00	149,038	149,038	2,243,835	0.24
Funds and wealth management products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Foreign shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Of which: Overseas legal person shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Overseas natural person shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares subject to selling restrictions in aggregate	19,401,126	2.07	0.00	0.00	0.00	149,038	149,038	19,550,164	2.08
II. Shares not subject to selling restrictions									
1. Ordinary shares denominated in Renminbi	595,497,332	63.71	6,010,786	0.00	0.00	-149,038	5,861,748	601,359,080	63.92
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	34.00
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	915,361,549	97.93	6,010,786	0.00	0.00	-149,038	5,861,748	921,223,297	97.92
III. Total number of shares	934,762,675	100.00	6,010,786	0.00	0.00	0.00	6,010,786	940,773,461	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 2,243,835 locked shares held by the senior management.

NOTES TO THE FINANCIAL STATEMENTS

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

37. Capital reserve

January to June 2021

Item	Balance at the Beginning of the Year	Increase for the Period	Decrease for the Period	Balance at the End of the Period
Share premium	1,456,572,347.73	126,808,248.68	403,988,537.56	1,179,392,058.85
Other capital reserve	103,797,369.96	11,169,675.11	0.00	114,967,045.07
Total	1,560,369,717.69	137,977,923.79	403,988,537.56	1,294,359,103.92

The increase in the share premium for the Period represented: ① an increase in share premium of RMB124,537,459.62 as a result of the effective exercise of 3,641,051 share options during the Period; ② upon the exercise of share options, pursuant to the taxation rules, the difference between deductible expenses before taxation and the amount of provision reduced income tax payable by RMB1,891,160.08, the share premium was increased accordingly; ③ the increase in share premium by disproportionate capital decrease to a subsidiary due to the difference of RMB379,628.98 between the capital contribution and the corresponding share of net assets of the subsidiary. The decrease in the share premium for the Period represented the decrease in share premium caused by cancellation of 12,722,408 repurchased shares.

Other capital reserve increase for the Period includes: ① withdrawal of share incentive expenses of RMB9,556,686.30; ② capital reserve increase of RMB1,612,988.81 due to changes in shareholding percentage of the Company as well as other changes in equity caused by disproportionate capital increase under the equity method.

January to June 2020

Item	Balance at the Beginning of the Year	Increase for the Period	Decrease for the Period	Balance at the End of the Period
Share premium	1,091,114,796.32	211,339,235.76	0.00	1,302,454,032.08
Other capital reserve	72,289,951.85	11,385,257.93	10,577,268.20	73,097,941.58
Total	1,163,404,748.17	222,724,493.69	10,577,268.20	1,375,551,973.66

The increase in the share premium for the Period represented: an increase in share premium of RMB211,339,235.76 as a result of the effective exercise of 6,010,786 share options during the Period.

Other capital reserve increase for the Period includes: ① withdrawal of share incentive expenses of RMB11,385,257.93; ② transfer of corresponding capital reserve to profit and loss as a result the disposal of share capital calculated under the equity method.

NOTES TO THE FINANCIAL STATEMENTS

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

38. Treasury shares

January to June 2021

Item	Balance at the Beginning of the Year	Increase for the Period	Decrease for the Period	Balance at the End of the Period
Repurchase of A Shares	250,061,413.16	166,649,532.40	416,710,945.56	0.00

The increase of treasury shares during the period represented: the repurchase of the total amount of capital used for 6,628,600 H Shares through centralized bidding transactions by the Company. The decrease in treasury shares during the period represented: the cancellation of repurchased shares.

January to June 2020

Item	Balance at the Beginning of the Year	Increase for the Period	Decrease for the Period	Balance at the End of the Period
Repurchase of A Shares	0.00	243,439,270.82	0.00	243,439,270.82

The increase of treasury shares during the period represented: the repurchase of the total amount of capital used for 5,946,108 A Shares through centralized bidding transactions by the Company.

NOTES TO THE FINANCIAL STATEMENTS

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

39. Other comprehensive income

January to June 2021

Item	Balance at the Beginning of the Year ⁽¹⁾	Amount incurred before income tax for the Period	Less: amount recognized in other comprehensive income in the Previous Period transferred to profit or loss or retained earnings for the Period	For the Period			Balance at the End of the Period ^{(3) = (1) + (2)}
				Less: income tax expenses	Attributable to the parent company after tax ⁽²⁾	Attributable to minority interests after tax	
I. Other comprehensive income not to be re-classified into profit or loss	241,169,897.47	42,441,929.54	171,926,789.47	6,502,084.16	-135,902,397.80	-84,546.29	105,267,499.67
1. Change in fair value of other investments in equity instruments	241,169,897.47	42,441,929.54	171,926,789.47	6,502,084.16	-135,902,397.80	-84,546.29	105,267,499.67
II. Other comprehensive income to be reclassified into profit or loss	-71,186,096.91	-11,561,907.91	0.00	0.00	-10,986,186.68	-575,721.23	-82,172,283.59
1. Other comprehensive income to be reclassified into profit or loss under the equity method	115,066.72	0.00	0.00	0.00	0.00	0.00	115,066.72
2. Translation differences of financial statements denominated in foreign currency	-71,301,163.63	-11,561,907.91	0.00	0.00	-10,986,186.68	-575,721.23	-82,287,350.31
Total of other comprehensive income	169,983,800.56	30,880,021.63	171,926,789.47	6,502,084.16	-146,888,584.48	-660,267.52	23,095,216.08

January to June 2020

Item	Balance at the Beginning of the Year ⁽¹⁾	Amount incurred before income tax for the Period	Less: amount recognized in other comprehensive income in the Previous Period transferred to profit or loss or retained earnings for the Period	For the Period			Balance at the End of the Period ^{(3) = (1) + (2)}
				Less: income tax expenses	Attributable to the parent company after tax ⁽²⁾	Attributable to minority interests after tax	
I. Other comprehensive income not to be re-classified into profit or loss	54,731,381.67	22,062,821.86	0.00	3,555,994.88	18,436,298.01	70,528.97	73,167,679.68
1. Change in fair value of other investments in equity instruments	54,731,381.67	22,062,821.86	0.00	3,555,994.88	18,436,298.01	70,528.97	73,167,679.68
II. Other comprehensive income to be reclassified into profit or loss	-28,327,410.02	7,234,591.37	0.00	0.00	6,910,434.53	324,156.84	-21,416,975.49
1. Other comprehensive income to be reclassified into profit or loss under the equity method	155,384.33	0.00	0.00	0.00	0.00	0.00	155,384.33
2. Translation differences of financial statements denominated in foreign currency	-28,482,794.35	7,234,591.37	0.00	0.00	6,910,434.53	324,156.84	-21,572,359.82
Total of other comprehensive income	26,403,971.65	29,297,413.23	0.00	3,555,994.88	25,346,732.54	394,685.81	51,750,704.19

NOTES TO THE FINANCIAL STATEMENTS

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

40. Surplus reserve

January to June 2021

Item	Balance at the Beginning of the Year	Increase for the Period	Decrease for the Period	Balance at the End of the Period
Statutory surplus reserve	577,212,833.75	0.00	0.00	577,212,833.75
Discretionary surplus reserve	63,796,201.34	0.00	0.00	63,796,201.34
Reserve funds	82,108,376.71	0.00	0.00	82,108,376.71
Enterprise development funds	21,683,742.35	0.00	0.00	21,683,742.35
Total	744,801,154.15	0.00	0.00	744,801,154.15

January to June 2020

Item	Balance at the Beginning of the Year	Increase for the Period	Decrease for the Period	Balance at the End of the Period
Statutory surplus reserve	455,589,822.89	0.00	0.00	455,589,822.89
Discretionary surplus reserve	63,796,201.34	0.00	0.00	63,796,201.34
Reserve funds	82,108,376.71	0.00	0.00	82,108,376.71
Enterprise development funds	21,683,742.35	0.00	0.00	21,683,742.35
Total	623,178,143.29	0.00	0.00	623,178,143.29

NOTES TO THE FINANCIAL STATEMENTS

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

41. Retained earnings

(1) Movement in retained earnings

Item	For the Period	For the Previous Period	Allocation or appropriation proportion
Retained earnings for the end of last year before adjustment	8,937,313,245.63	8,419,002,908.40	—
Adjustment for total retained earnings as at the beginning of the Year (+ for increase and – 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 earnings attributable to the owners of the parent company for the Period	1,062,475,917.41	1,004,743,610.08	—
Gain on disposal of other equity investments	171,926,789.47	0.00	—
Less: Appropriation to statutory surplus reserve	0.00	0.00	10%
Appropriation to discretionary surplus reserve	0.00	0.00	
Dividends payable to ordinary shares	1,168,522,010.83	1,074,977,042.27	
Dividends of ordinary shares capitalised	0.00	0.00	
Retained earnings at the end of the Period	9,003,193,941.68	8,348,769,476.21	

Breakdown of adjustments to the retained earnings as at the Beginning of the Period:

- ① The effect of the retrospective adjustments arising from Accounting Standards for Business Enterprises and the related new requirements on the retained earnings as at the Beginning of the Period amounted to RMB0.00.
- ② The effect of changes in accounting policies on the retained earnings as at the Beginning of the Period amounted to RMB0.00.
- ③ The effect of corrections of significant accounting errors on the retained earnings as at the Beginning of the Period amounted to RMB0.00.
- ④ The effect of the change of the scope of combination under common control on the retained earnings as at the Beginning of the Period amounted to RMB0.00.
- ⑤ The effect of other adjustments on the retained earnings as at the Beginning of the Period amounted to RMB0.00.

NOTES TO THE FINANCIAL STATEMENTS

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

41. Retained earnings *(Continued)*

(2) Notes to appropriation of profits

Item	For the Period	Unit: RMB' 000
		For the Previous Period
Dividends:		
Final dividends in respect of the year 2020 paid during the year (Note 1)	1,139,814.78	
Final dividends in respect of the year 2019 paid during the year (Note 2)	—	1,056,284.38
Dividends proposed after the balance sheet date:		
Final dividends proposed for the year 2020 (Note 1)	1,168,522.01	—
Final dividends proposed for the year 2019 (Note 2)	—	1,074,977.04

Note 1: On 22 March 2021, the 2020 Annual Profit Distribution Plan was resolved and approved at the 14th meeting of the tenth session of the Board of the Company, it is expected to distribute cash dividend of RMB12.50 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2020 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized. The profit distribution plan was approved at the general meeting held on 20 May 2021 and the payment amounted to RMB1,139,814,781.15 prior to 30 June 2021.

Note 2: On 25 March 2020, the Company considered and approved the 2019 Annual Profit Distribution Plan at the thirty-seventh meeting of the ninth session of the Board, pursuant to which a cash dividend of RMB11.50 (tax inclusive) for every 10 shares was proposed to be distributed based on the Company's total share capital of 934,762,675 shares as at the end of 2019. There would be no bonus shares, nor would the capital reserves be capitalized. If there was any change in the total issued share capital of the Company as a result of issue of new shares, exercise of share options of share incentive plan and repurchase of shares before implementing the distribution plan, the proportion of allocation would be adjusted in accordance with the principle of "the total amount of cash distribution remains unchanged". After adjustment, the cash dividend was RMB11.500552 (tax inclusive) for every 10 shares and the total amount of distribution was RMB1,074,977,042.27 (tax inclusive). The profit distribution plan was approved at the general meeting held on 25 May 2020 and the payment amounted to RMB1,056,284,377.87 prior to 30 June 2020.

42. Operating income and operating cost

(1) Operating income and operating cost

Item	For the Period		For the Previous Period	
	Income	Cost	Income	Cost
Principal activities	6,193,787,467.88	2,091,314,475.47	5,070,600,012.43	1,718,033,063.93
Other activities	41,743,568.40	33,798,225.02	24,638,305.26	15,808,289.24
Total	6,235,531,036.28	2,125,112,700.49	5,095,238,317.69	1,733,841,353.17

The Group operates in a single operating segment in the PRC, i.e. the manufacture of pharmaceuticals. Accordingly, no operating segment of the Group is presented.

NOTES TO THE FINANCIAL STATEMENTS

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

42. Operating income and operating cost (Continued)

(2) Operating income and operating costs presented by product types

Item	For the Period		For the Previous Period	
	Income	Cost	Income	Cost
Principal activities:				
Chemical drug preparation products	3,730,533,847.07	762,424,475.03	2,315,344,260.34	542,017,556.05
APIs and Intermediates	1,462,311,923.98	1,011,958,744.70	1,227,068,601.74	801,029,071.35
Traditional Chinese drug preparation products	610,258,117.05	159,999,266.21	639,155,481.10	165,919,742.97
Diagnostic reagents and equipment	390,683,579.78	156,931,989.53	889,031,669.25	209,066,693.56
Subtotal	6,193,787,467.88	2,091,314,475.47	5,070,600,012.43	1,718,033,063.93
Other activities:				
Sales materials	9,506,530.14	8,472,340.43	9,816,162.39	6,156,840.02
Leasing income	2,544,991.61	5,560.54	2,779,283.60	186,298.82
Processing income	613,753.26	656,943.17	2,383,579.74	2,126,275.97
Supply of power	4,066,079.79	3,983,830.10	5,649,310.42	5,183,982.83
Technology transfer	308,459.70	1,067,509.22	0.00	0.00
Others	24,703,753.90	19,612,041.56	4,009,969.11	2,154,891.60
Subtotal	41,743,568.40	33,798,225.02	24,638,305.26	15,808,289.24
Total	6,235,531,036.28	2,125,112,700.49	5,095,238,317.69	1,733,841,353.17

(3) Operating income and operating costs presented by major operating regions

Item	For the Period		For the Previous Period	
	Income	Cost	Income	Cost
Domestic	5,407,801,582.14	1,597,504,695.96	4,018,148,776.81	1,247,744,765.49
Overseas	785,985,885.74	493,809,779.51	1,052,451,235.62	470,288,298.44
Total	6,193,787,467.88	2,091,314,475.47	5,070,600,012.43	1,718,033,063.93

(4) Operating income and operating costs presented by time of income recognition

Item	For the Period		For the Previous Period	
	Income	Cost	Income	Cost
Commodities (recognized at a point of time)	6,193,787,467.88	2,091,314,475.47	5,070,600,012.43	1,718,033,063.93

NOTES TO THE FINANCIAL STATEMENTS

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

43. Taxes and surcharges

Item	For the Period	For the Previous Period
Urban maintenance and construction tax	29,517,914.85	24,780,695.36
Education surcharges	22,921,598.94	19,528,803.49
Land use tax	3,056,759.10	3,076,991.38
Property tax	9,354,989.50	7,995,659.39
Stamp duty	5,581,437.39	2,377,465.61
Vehicle and vessel usage tax	25,868.16	30,251.02
Environmental protection tax	144,522.54	154,399.89
Others	365,317.96	313,236.60
Total	70,968,408.44	58,257,502.74

Note: The bases of calculations for major taxes and surcharges are set out in Note IV. Taxation.

44. Selling expenses

Item	For the Period	For the Previous Period
Marketing and promotional expenses	1,829,539,963.43	1,220,908,175.35
Staff salaries	162,989,068.75	135,520,225.46
Office, entertainment and travelling expenses	24,210,298.51	15,674,019.90
Business meeting expenses	5,792,341.57	863,153.60
Others	22,638,403.29	41,841,631.65
Total	2,045,170,075.55	1,414,807,205.96

45. Administrative expenses

Item	For the Period	For the Previous Period
Staff salaries	108,768,867.07	133,556,085.65
Share incentive expenses	12,038,784.18	12,242,614.92
Depreciation and amortization	40,319,050.30	34,352,534.87
Loss on suspension of operations	31,503,927.79	29,393,556.42
Advisory, consultancy and information disclosure fees	10,127,358.85	7,799,736.39
Quality project expenses	17,217,491.18	16,840,629.55
Office, entertainment and travelling expenses	18,828,573.07	17,902,038.61
Repair of utilities, transportation and miscellaneous expenses	16,655,773.74	7,690,345.10
Recruitment and staff training expenses	4,315,304.64	3,535,117.89
Auditors' fees	1,262,641.51	1,117,735.85
Others	29,039,769.79	29,720,207.18
Total	290,077,542.12	294,150,602.43

NOTES TO THE FINANCIAL STATEMENTS

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

46. R&D expenses

Item	For the Period	For the Previous Period
Material costs	114,224,564.53	68,795,560.56
Staff salaries	146,352,784.21	100,164,485.69
Share incentive expenses	175,632.62	397,092.72
Testing fees	180,700,758.42	76,936,202.42
Depreciation and amortization	32,120,236.51	26,424,715.60
Others	33,294,899.79	33,718,080.70
Total	506,868,876.08	306,436,137.69

47. Finance expenses

Item	For the Period	For the Previous Period
Interest expenses	36,051,011.53	7,012,674.28
Less: Interest income	65,140,139.66	96,201,073.75
Exchange (gains)/losses	1,483,972.10	-2,876,853.86
Commission charges and others	2,591,374.25	2,662,572.64
Total	-25,013,781.78	-89,402,680.69

48. Other income

Items of grants (sources of other income)	For the Period	For the Previous Period	Related to assets/income
Government grants	23,247,572.57	15,555,123.79	Related to assets
Government grants	91,916,420.37	87,486,050.06	Related to income
Tax withholding commission charges	1,558,060.20	1,782,164.04	
Extra tax deductions for tax refunds	0.00	23,224.44	
Total	116,722,053.14	104,846,562.33	

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.

NOTES TO THE FINANCIAL STATEMENTS

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

49. Investment income

Item	For the Period	For the Previous Period
Long-term equity investments income under equity method	5,963,636.97	-4,702,830.92
Investment income from disposal of long-term equity investments	2,423,029.20	108,312,122.27
Investment income from financial assets held for trading during the holding period	75,810.76	348,024.60
Dividend income from other equity instrument investments	8,153,391.88	1,351,326.46
Investment income from disposal of financial assets held for trading	18,487,393.04	-614,541.79
Income generated from revaluation of remaining equity measured at fair value upon loss of control	0.00	7,958,514.22
Total	35,103,261.85	112,652,614.84

50. Gains from changes in fair value

Sources of gains from changes in fair value	For the Period	For the Previous Period
Financial assets held for trading	35,276,790.02	-3,282,779.11
Of which: Debt instrument investments	17,055.84	9,412.89
Equity instrument investments	43,142,356.83	-1,274,254.56
Derivative financial assets	-7,882,622.65	-2,017,937.44
Financial liabilities held for trading	-480,891.07	-1,269,050.22
Of which: Derivative financial liabilities	-480,891.07	-1,269,050.22
Total	34,795,898.95	-4,551,829.33

51. Credit impairment loss ("-" represents losses)

Item	For the Period	For the Previous Period
Bad debt loss of bills receivables	0.00	50,000.00
Bad debt loss of accounts receivables	-7,908,310.01	-6,584,632.20
Bad debt loss of other receivables	-670,920.47	-650,687.12
Total	-8,579,230.48	-7,185,319.32

NOTES TO THE FINANCIAL STATEMENTS

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

52. Asset impairment loss ("-" represents losses)

Item	For the Period	For the Previous Period
Loss on obsolete stocks	-28,522,631.76	-13,078,655.95
Impairment loss on fixed assets	-90,481.03	-188,983.76
Total	-28,613,112.79	-13,267,639.71

53. Gains on disposal of assets

Item	For the Period	For the Previous Period
Gains on disposal of fixed assets ("-" represents losses)	317,121.46	-83,421.97

54. Non-operating income

Item	For the Period	For the Previous Period	Amount charged to non-recurring gains or losses during the Period
Gains on destruction or retirement of non-current assets	116,840.29	17,015.60	116,840.29
Income from scraps	1,887,207.65	440,411.41	1,887,207.65
Compensation income	270,079.01	33,127.99	270,079.01
Waiver of payables	390,917.12	121,010.03	390,917.12
Others	1,129,732.64	293,356.02	1,129,732.64
Total	3,794,776.71	904,921.05	3,794,776.71

55. Non-operating expenses

Item	For the Period	For the Previous Period	Amount charged to non-recurring gains or losses during the Period
Charitable donation expenses	1,978,697.53	9,098,143.36	1,978,697.53
Loss on destruction or retirement of non-current assets	2,041,794.31	1,897,017.67	2,041,794.31
Others	701,494.05	1,820,821.29	701,494.05
Total	4,721,985.89	12,815,982.32	4,721,985.89

NOTES TO THE FINANCIAL STATEMENTS

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

56. Income tax expenses

(1) Breakdown of income tax expenses

Item	For the Period	For the Previous Period
Current income tax calculated according to tax laws and relevant rules	154,520,918.96	225,037,403.26
Of which: Domestic enterprise income tax	154,224,294.27	224,887,171.38
Corporate income tax in Hong Kong and Macau	296,624.69	150,231.88
Deferred income tax expenses	36,863,644.54	1,882,117.35
Total	191,384,563.50	226,919,520.61

(2) Reconciliation between income tax expenses and total profit is set out below:

Item	For the Period	For the Previous Period
Total profit	1,371,165,998.33	1,557,648,101.96
Income tax expenses calculated at statutory tax rate	342,791,499.58	389,412,025.49
Effect of different tax rates applicable to subsidiaries	-3,746,526.88	-1,194,612.65
Effect of tax reduction and exemption	-201,331,756.72	-203,146,279.76
Effect of non-deductible expenses	3,589,273.05	3,449,866.65
Credit (Charge) on deductible temporary differences on which deferred income tax assets are not recognized for the Year	3,050,994.56	501,673.28
Deductible losses of deferred income tax assets not recognized for the Year	51,633,213.60	37,782,753.60
Utilization of deductible losses of deferred income tax assets not recognized in prior periods	-2,985,808.11	-2,022,002.92
Others	-1,616,325.58	2,136,096.92
Income tax expenses	191,384,563.50	226,919,520.61

NOTES TO THE FINANCIAL STATEMENTS

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	For the Period	For the Previous Period
Net profit attributable to ordinary shareholders of the parent company	1,062,475,917.41	1,004,743,610.08
Of which: Net profit from continuing operations	1,062,475,917.41	1,004,743,610.08
Net profit from discontinued operations	0.00	0.00
Weighted average number of ordinary shares of the Company outstanding	934,574,071	935,487,093
Effect of dilution-weighted average number of ordinary shares (shares options)	1,399,000	2,133,279
Weighted average number of ordinary shares of the Company outstanding after adjustment	935,973,071	937,620,372
Basic earnings per share	1.14	1.07
Of which: Basic earnings per share of continuing operations	1.14	1.07
Basic earnings per share of discontinued operations	—	—
Diluted earnings per share	1.14	1.07
Of which: Diluted earnings per share of continuing operations	1.14	1.07
Diluted earnings per share of discontinued operations	—	—

NOTES TO THE FINANCIAL STATEMENTS

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	For the Period	For the Previous Period
Government grants	112,755,484.75	91,430,242.70
Interest income	65,140,139.66	96,201,073.75
Liquidated damages and compensation income	270,079.01	33,127.99
Income from scraps	1,887,207.65	440,411.41
Deposits for letter of credit/bank acceptance bills	4,362,026.06	4,379,376.46
Movements in capital and others	34,305,604.65	54,103,200.87
Total	218,720,541.78	246,587,433.18

(2) Cash paid relating to other operating activities

Item	For the Period	For the Previous Period
Business promotion expenses	2,024,929,519.01	1,461,076,806.65
R&D expenses	380,677,147.94	165,394,190.98
Bank charges	2,591,374.25	2,662,572.64
Deposits for letter of credit and bank acceptance bills	3,692,342.07	4,822,487.58
Other expenses paid	253,811,893.80	199,676,296.65
Movements in capital and others	15,565,869.66	5,649,038.00
Total	2,681,268,146.73	1,839,281,392.50

NOTES TO THE FINANCIAL STATEMENTS

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

58. Notes to cash flow statement items *(Continued)*

(3) Cash received relating to other investing activities

Item	For the Period	For the Previous Period
Deposits under guarantee	121,000.00	0.00
Insurance claims	0.00	19,828,856.24
Others	1,600.00	229,160.14
Total	122,600.00	20,058,016.38

(4) Cash paid relating to other investing activities

Item	For the Period	For the Previous Period
Deposits under guarantee	165,000.00	45,000.00
Foreign exchange forward contract losses	1,397,587.39	3,492,944.44
Others	3,658.70	0.00
Total	1,566,246.09	3,537,944.44

(5) Cash received relating to other financing activities

Item	For the Period	For the Previous Period
Collection and advance payment of individual income tax	1,211,582.95	4,933,246.35

(6) Cash paid relating to other financing activities

Item	For the Period	For the Previous Period
Repurchase of shares	166,649,532.40	243,439,270.82
Capital reduction in minority interests in subsidiary	618,262,191.00	0.00
Collection and advance payment of individual income tax	2,531,100.50	0.00
Total	787,442,823.90	243,439,270.82

NOTES TO THE FINANCIAL STATEMENTS

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	For the Period	For the Previous Period
1. Reconciliation from net profit to cash flow from operating activities:		
Net profit	1,179,781,434.83	1,330,728,581.35
Add: Asset impairment loss	28,613,112.79	13,267,639.71
Credit impairment loss	8,579,230.48	7,185,319.32
Depreciation of fixed assets	202,152,609.66	185,707,021.59
Amortization of intangible assets	8,330,667.72	8,307,880.57
Amortization of long-term deferred expenses	13,550,015.53	10,721,522.90
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" represents gains)	-317,121.46	83,421.97
Loss on retirement of fixed assets ("-" represents gains)	1,924,954.02	1,880,002.07
Loss on fair value change ("-" represents gains)	-34,795,898.95	4,551,829.33
Finance expenses ("-" represents gains)	49,726,769.70	4,091,084.34
Investment losses ("-" represents gains)	-35,103,261.85	-112,652,614.84
Decrease in deferred income tax assets ("-" represents increase)	31,407,678.49	-14,999,268.24
Increase in deferred income tax liabilities ("-" represents decrease)	5,455,966.05	16,881,385.59
Decrease in inventories ("-" represents increase)	-2,166,659.67	-278,912,067.90
Decrease in operating items receivable ("-" represents increase)	-843,269,183.71	-337,450,977.35
Increase in operating items payable ("-" represents decrease)	48,826,261.66	21,546,468.01
Others	12,214,416.79	12,639,707.64
Net cash flow from operating activities	674,910,992.08	873,576,936.06
2. Major investment and financing activities irrelevant to cash income and expenses:		
Conversion of debts into capital	0.00	0.00
Convertible corporate bonds due within 1 year	0.00	0.00
Fixed assets capitalized under finance leases	0.00	0.00
3. Net change in cash and cash equivalents:		
Cash balance at the end of the period	8,583,399,208.56	7,279,968,931.22
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 period	0.00	0.00
Less: Balance of cash equivalents at the beginning of the period	0.00	0.00
Net increase in cash and cash equivalents	-1,368,650,781.52	-1,574,216,922.32

NOTES TO THE FINANCIAL STATEMENTS

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 Period

Nil.

(3) Net cash received from disposal of subsidiaries during the Period

Item	For the Period
Cash or cash equivalents received during the Period from disposal of subsidiaries during the Period	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 loses 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 Period 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	For the Period	For the Previous Period
I. Cash	8,583,399,208.56	7,279,968,931.22
Of which: Cash on hand	608,704.63	220,030.43
Bank deposits that are readily available for payment	8,492,715,508.20	7,270,777,814.85
Other monetary funds that are readily available for payment	90,074,995.73	8,971,085.94
II. Cash equivalents	0.00	0.00
Of which: Bond investments due within three months	0.00	0.00
III. Balance of cash and cash equivalents at the end of the period	8,583,399,208.56	7,279,968,931.22

Cash and cash equivalents excluded restricted cash and cash equivalents used by the Group.

NOTES TO THE FINANCIAL STATEMENTS

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

60. Assets with restricted ownership or right of use

Item	Carrying amount at the End of the Period	Reasons for restriction
Monetary funds – Other monetary funds	1,071,889.40	Deposits for letters of guarantee and other businesses
Bills receivables	286,294,897.67	Bills pooling business, pledged bills receivables
Total	287,366,787.07	

61. Monetary items denominated in foreign currencies

Item	Balance in foreign currency at the End of the Period	Exchange rate	Equivalent RMB balance at the End of the Period
Monetary funds			
Of which: HKD	9,036,927.29	0.83208	7,519,446.46
Euro	102,169.96	7.6862	785,298.75
USD	136,972,953.91	6.4601	884,858,979.55
MOP	2,492,385.85	0.8084	2,014,844.72
Accounts receivables			
Of which: USD	64,025,488.37	6.4601	413,611,057.42
MOP	2,254,691.45	0.8084	1,822,692.57
Other receivables			
Of which: HKD	1,355,333.40	0.83208	1,127,745.82
MOP	581,188.00	0.8084	469,832.38
Accounts payables			
Of which: CHF	36,737.77	7.0134	257,656.68
MOP	435,857.17	0.8084	352,346.94
Other payables			
Of which: USD	2,595,716.72	6.4601	16,768,589.58
HKD	116,261.81	0.83208	96,739.13
Dividends payables			
Of which: HKD	24,598,556.58	0.83208	20,467,966.96

NOTES TO THE FINANCIAL STATEMENTS

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 Period	Amount charged to profit and loss for the Period	Other changes	Balance at the End of the Period	Amount charged to profit and loss for the Period	Related to assets/income
R&D and industrialization of innovative Ilaprazole Series (艾普拉唑系列創新藥物研發及產業化)	Fiscal appropriation	20,988,166.29	0.00	2,455,000.02	0.00	18,533,166.27	Other income	Related to assets
R&D funds for new drug for Class I Treatment of Necrosis Factor in Human Tumour from Human Source (I 類治療人源化抗人腫瘤壞死因子α 單克隆抗體新藥研製資金)	Fiscal appropriation	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	0.00	0.00	13,300,000.00	Other income	Related to assets
Construction project for industrialization of prolonged-action microsphere preparation (phase I) (長效微球製劑產業化建設項目(一期工程))	Fiscal appropriation	7,024,025.85	8,329,800.00	431,665.47	0.00	14,922,160.38	Other income	Related to assets
Pilot-scale enlargement and industrialization of prolonged-action injection microsphere products (長效注射微球產品的中試放大和產業化)	Fiscal appropriation	2,400,000.00	0.00	0.00	0.00	2,400,000.00	Other income	Related to assets
Project subsidy from the Ministry of Industry and Information Technology (工業和信息化部項目補助款)	Fiscal appropriation	2,400,000.00	0.00	0.00	0.00	2,400,000.00	Other income	Related to assets
Project subsidy from the Ministry of Industry and Information Technology (工業和信息化部項目補助款)	Fiscal appropriation	1,597,750.00	0.00	115,500.00	0.00	1,482,250.00	Other income	Related to assets
Construction of Drug Conformity Evaluation Research Center Platform (藥物一致性評價研究中心平台建設)	Fiscal appropriation	1,200,000.10	0.00	80,000.00	0.00	1,120,000.10	Other income	Related to assets
R&D and Commercialisation of Mouse Nerve Growth Factor for Injection (注射用鼠神經生長因子研發及產業化)	Fiscal appropriation	50,606,036.20	0.00	5,280,044.56	0.00	45,325,991.64	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	551,000.02	0.00	3,006,499.49	Other income	Related to assets

NOTES TO THE FINANCIAL STATEMENTS

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 Period	Amount charged to profit and loss for the Period	Other changes	Balance at the End of the Period	Amount charged to profit and loss for the Period	Related to assets/income
Subsidy for the Tender of Technology Upgrade Project for PVC Soft Bag Supported by Provincial Finance Departments (省財政支持技改招標項目補助金PVC軟袋)	Fiscal appropriation	3,111,850.32	0.00	204,182.88	0.00	2,907,667.44	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	19,500,000.02	0.00	1,911,764.70	0.00	17,588,235.32	Other income	Related to assets
Provision for technology transformation funds and subsequent grants (技術改造資金撥款及事後補獎)	Fiscal appropriation	6,589,119.08	0.00	564,781.68	0.00	6,024,337.40	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	1,644,464.76	0.00	9,004,135.57	Other income	Related to assets
Electricity distribution transformer performance enhancement for energy-saving and emission reduction projects (節能減排項目配電變壓器能效提升)	Fiscal appropriation	428,000.00	0.00	24,000.00	0.00	404,000.00	Other income	Related to assets
R&D and industrialization team of chemical drug liquid preparation (化藥液體製劑研發與產業化團隊)	Fiscal appropriation	1,000,000.00	0.00	444,166.64	0.00	555,833.36	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	222,877.68	0.00	5,025,356.48	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	37,665.18	0.00	204,104.64	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	6,000,000.00	0.00	0.00	Other income	Related to assets
Technological upgrading and transformation projects of workshop for acarbose (APIs for α -glucosidase inhibitor) (α -葡萄糖苷酶抑制劑類原料藥阿卡波糖生產車間工藝升級技術改造項目)	Fiscal appropriation	571,428.64	0.00	53,571.42	0.00	517,857.22	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	14,999.94	0.00	45,000.42	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	55,462.80	0.00	84,029.00	Other income	Related to assets

NOTES TO THE FINANCIAL STATEMENTS

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 Period	Amount charged to profit and loss for the Period	Other changes	Balance at the End of the Period	Amount charged to profit and loss for the Period	Related to assets/income
Scientific technology award and subsidy for technological innovative project (科學技術獎及科技創新項目資助)	Fiscal appropriation	3,400,000.00	0.00	600,000.00	0.00	2,800,000.00	Other income	Related to income
Zhuhai industrial enterprise "cloud and platform" service coupons supporting funds (珠海市工業企業"上雲上平台"服務券支援資金)	Fiscal appropriation	114,972.73	0.00	12,770.44	0.00	102,202.29	Other income	Related to income
Commissioner workstation (特派員工作站)	Fiscal appropriation	145,000.00	0.00	30,000.00	0.00	115,000.00	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	579,000.00	0.00	3,024,500.01	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	99,999.96	0.00	408,333.71	Other income	Related to assets
New industrialization development grant (新型工業化發展獎金)	Fiscal appropriation	1,304,166.42	609,700.00	175,000.02	0.00	1,738,866.40	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	100,000.02	0.00	466,666.59	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	49,999.98	0.00	350,000.18	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	1,800,000.00	0.00	0.00	3,800,000.00	Other income	Related to assets
Zhuhai innovation and enterprising team and high-level talent enterprising project (paclitaxel micellar for injection) (珠海市創新創業團隊和高層次人才創業項目(注射液紫杉醇膠束))	Fiscal appropriation	2,700,000.00	6,300,000.00	0.00	0.00	9,000,000.00	Other income	Related to assets
Capital project for innovation and entrepreneurship team funding program (創新創業團隊資助計劃資金項目)	Fiscal appropriation	8,500,000.00	0.00	0.00	0.00	8,500,000.00	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
Study on intestinal absorption of Ilaprazole and biodistribution (艾普拉唑體內腸吸收和生物分佈研究)	Fiscal appropriation	0.00	800,000.00	0.00	0.00	800,000.00	Other income	Related to income
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

NOTES TO THE FINANCIAL STATEMENTS

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 Period	Amount charged to profit and loss for the Period	Other changes	Balance at the End of the Period	Amount charged to profit and loss for the Period	Related to assets/income
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
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	45,000.00	0.00	720,000.00	Other income	Related to assets
Cleaner Production Audit Project (清潔生產審核項目)	Fiscal appropriation	190,000.04	0.00	5,000.00	0.00	185,000.04	Other income	Related to assets
Green factory (綠色工廠)	Fiscal appropriation	1,261,666.67	0.00	65,000.00	0.00	1,196,666.67	Other income	Related to assets
HCG project construction (HCG項目建設)	Fiscal appropriation	3,783,485.81	0.00	197,825.00	0.00	3,585,660.81	Other income	Related to assets
Sewage treatment system upgrade project (污水處理系統升級改造項目)	Fiscal appropriation	72,269.96	0.00	4,015.00	0.00	68,254.96	Other income	Related to assets
R&D and industrialization of Recombinant Human Chorionic Gonadotropin for Injection (注射用重組人絨促性素研發及產業化)	Fiscal appropriation	1,287,500.00	0.00	75,000.00	0.00	1,212,500.00	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	11,250.00	0.00	93,750.00	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	0.00	0.00	1,550,000.00	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

NOTES TO THE FINANCIAL STATEMENTS

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 Period	Amount charged to profit and loss for the Period	Other changes	Balance at the End of the Period	Amount charged to profit and loss for the Period	Related to assets/income
Provincial industrial innovation (provincial enterprise technology center) project in 2019 (2019年省產業創新(省級企業技術中心)項目)	Fiscal appropriation	1,403,733.33	0.00	0.00	0.00	1,403,733.33	Other income	Related to assets
Guangdong Province Science and Technology Department special emergency fund for scientific and technological research on prevention and control of COVID-19 (廣東省科學技術廳應防控新冠病毒感染科技攻關應急專項款)	Fiscal appropriation	350,000.00	0.00	0.00	0.00	350,000.00	Other income	Related to assets
Zhuhai Financial Bureau cum COVID-19 emergency technology special emergency fund (珠海市財政局應急科技攻關專項款)	Fiscal appropriation	250,000.00	0.00	0.00	0.00	250,000.00	Other income	Related to assets
China Postdoctoral Science Foundation subsidy funds (中國博士後科學基金會資助經費)	Fiscal appropriation	160,000.00	0.00	0.00	0.00	160,000.00	Other income	Related to income
Pre-appropriation of special grants for industrialization of diagnostic reagents for COVID-19 (新冠病毒檢測試劑產業化項目補助金預撥)	Fiscal appropriation	4,601,200.00	0.00	1,497,000.00	0.00	3,104,200.00	Other income	Related to assets
Xiangzhou District equipment purchase subsidy supporting funds (special funds for prevention and control of pandemic) (香洲區購置設備補貼扶持資金(疫情防控專項資金))	Fiscal appropriation	13,555.75	0.00	0.00	0.00	13,555.75	Other income	Related to assets
Zhuhai innovation and enterprising team and high-level talent enterprising project Phase I funds (珠海市創新創業團隊和高層次人才創業項目首期資金)	Fiscal appropriation	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	10,000.02	0.00	189,999.98	Other income	Related to assets
Total		276,141,923.64	21,489,500.00	23,898,008.19	0.00	273,733,415.45		

NOTES TO THE FINANCIAL STATEMENTS

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

62. Government grants (Continued)

(2) Government grants charged to profit and loss for the Period by adopting gross amount method

Projects with grants	Type	Amount charged to profit and loss for the Previous Period	Amount charged to profit and loss for the Period	Presentation item in profit and loss	Related to assets/income
Export credit insurance subsidy (出口信保補貼)	Fiscal appropriation	2,120,056.54	258,812.70	Other income	Related to income
R&D subsidy (研究開發費補助)	Fiscal appropriation	1,371,600.00	2,420,000.00	Other income	Related to income
Government Subsidy for Long-acting Microspheres Major New Drug Creation (長效微球重大新藥創制政府補助)	Fiscal appropriation	592,670.00	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制政府補助)	Fiscal appropriation	15,000.00	431,665.47	Other income	Related to assets
R&D and industrialization of innovative Ilaprazole series (艾普拉唑系列創新藥物研發及產業化)	Fiscal appropriation	2,455,000.02	2,455,000.02	Other income	Related to assets
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	374,064.90	0.00	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	79,999.98	80,000.00	Other income	Related to assets
Conformity Evaluation Research of Quality of Varieties such as Livzon Dele (麗珠得樂等品種質量一致性評價研究)	Fiscal appropriation	115,500.00	115,500.00	Other income	Related to assets
Internet Benchmarking Project for Advanced Drug Manufacturing (先進藥品製造互聯網標桿項目)	Fiscal appropriation	45,000.00	45,000.00	Other income	Related to assets
R&D and commercialisation of Recombinant Human Chorionic Gonadotropin for Injection (注射用重組人絨促性素研發及產業化)	Fiscal appropriation	75,000.00	75,000.00	Other income	Related to assets
Construction of HCG Project (HCG項目建設)	Fiscal appropriation	66,555.00	197,825.00	Other income	Related to assets
Fiscal Subsidy and Operating Subsidy (財政補貼及經營運營補貼)	Fiscal appropriation	70,300,735.00	83,032,194.60	Other income	Related to income
R&D and Commercialisation of Mouse Nerve Growth Factor for Injection (注射用鼠神經生長因子研發及產業化)	Fiscal appropriation	5,280,044.58	5,280,044.56	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	600,000.00	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	444,166.64	Other income	Related to assets

NOTES TO THE FINANCIAL STATEMENTS

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

62. Government grants (Continued)

(2) Government grants charged to profit and loss for the Period by adopting gross amount method (Continued)

Projects with grants	Type	Amount charged to profit and loss for the Previous Period	Amount charged to profit and loss for the Period	Presentation item in profit and loss	Related to assets/income
Promoting Imports of Foreign Trade Development Special Fund (外貿經濟發展專項資金)	Fiscal appropriation	86,080.00	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	53,571.42	53,571.42	Other income	Related to assets
Subsidy for the Tender of Technology Upgrade Project for PVC Soft Bag Supported by Provincial Finance Departments (省財政支持技改招標項目補助金PVC軟袋)	Fiscal appropriation	204,182.88	204,182.88	Other income	Related to assets
Technical transformation project of Shenqi Fuzheng Injection with flexible bag (軟袋參芪扶正注射液技改項目)	Fiscal appropriation	1,911,764.70	1,911,764.70	Other income	Related to assets
Demonstration project on the application of solar photovoltaic architecture (太陽能光電建築應用示範項目)	Fiscal appropriation	551,000.04	551,000.02	Other income	Related to assets
Electricity Incentive Funds (用電獎勵資金)	Fiscal appropriation	0.00	301,257.43	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	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	1,659,558.81	2,209,246.44	Other income	Related to assets
R&D and commercialisation of Statins (降血脂他汀類藥物的研發與產業化)	Fiscal appropriation	14,999.94	14,999.94	Other income	Related to assets
Technology transformation of recycling system of Acarbose project (阿卡波糖回收系統技術改造項目)	Fiscal appropriation	103,119.26	0.00	Other income	Related to assets
Commissioner workstation (特派員工作站)	Fiscal appropriation	30,000.00	30,000.00	Other income	Related to assets
Special Fund and Encouraging funds for Energy Saving and Emission Reduction (節能減排專項資金及獎勵金)	Fiscal appropriation	0.00	628,000.00	Other income	Related to income
Energy-saving and emission reduction projects (節能減排項目)	Fiscal appropriation	-15,984.98	43,015.02	Other income	Related to assets

NOTES TO THE FINANCIAL STATEMENTS

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

62. Government grants (Continued)

(2) Government grants charged to profit and loss for the Period by adopting gross amount method (Continued)

Projects with grants	Type	Amount charged to profit and loss for the Previous Period	Amount charged to profit and loss for the Period	Presentation item in profit and loss	Related to assets/income
Scientific technology award and subsidy for technological innovative project (科學技術獎及科技創新項目資助)	Fiscal appropriation	1,327,272.76	1,200,000.00	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	55,462.80	305,462.80	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	0.00	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	128,500.00	779,370.00	Other income	Related to income
Policy fund for leading industrial enterprises loan interests (工業龍頭企業貸款貼息政策資金)	Fiscal appropriation	100,000.02	100,000.02	Other income	Related to assets
Government grant for industrial transformation (工業轉型政府扶持資金)	Fiscal appropriation	99,999.89	99,999.96	Other income	Related to assets
New industrialization development funds (新型工業化發展資金)	Fiscal appropriation	175,000.09	175,000.02	Other income	Related to assets
Industrial revitalisation supporting funds (產業振興扶持資金)	Fiscal appropriation	579,000.00	579,000.00	Other income	Related to assets
Industrial supporting funds (產業扶持資金)	Fiscal appropriation	0.00	143,000.00	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	49,999.98	49,999.98	Other income	Related to assets
Employment Assurance and Re-employment and Attraction to Graduates of Tertiary Academic Institutions Subsidy (企業穩崗及再就業和吸納高校畢業生補貼款)	Fiscal appropriation	2,068,112.68	769,100.46	Other income	Related to income
Enterprise Technology Center Innovation Capacity Development (Antibody Laboratory) (企業技術中心創新能力建設(抗體藥物試驗室))	Fiscal appropriation	320,099.38	222,877.68	Other income	Related to assets
Enterprise Technology Center Innovation Capacity Development (Antibody Laboratory) (企業技術中心創新能力建設(抗體藥物試驗室))	Fiscal appropriation	43,458.18	37,665.18	Other income	Related to income
Special funds for industry and informatization (工業和信息化專項資金)	Fiscal appropriation	40,000.00	0.00	Other income	Related to income
Supporting subsidy for "Talents Plan" and subsidy for talents introduction and cultivation ("人才計劃"配套補貼及引才育才補貼)	Fiscal appropriation	0.00	150,000.00	Other income	Related to income

NOTES TO THE FINANCIAL STATEMENTS

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

62. Government grants (Continued)

(2) Government grants charged to profit and loss for the Period by adopting gross amount method (Continued)

Projects with grants	Type	Amount charged to profit and loss for the Previous Period	Amount charged to profit and loss for the Period	Presentation item in profit and loss	Related to assets/income
Incentive funds for expansion of export scale (擴大出口規模獎勵基金)	Fiscal appropriation	389,300.00	0.00	Other income	Related to income
Subsidy for online monitoring equipment for coal-fired boilers (燃煤鍋爐在線監控設備裝置補助)	Fiscal appropriation	11,250.00	11,250.00	Other income	Related to assets
Special funds for key leading enterprises in the 13th Five-Year Plan (2019) (十三五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	19,999.98	65,000.00	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	0.00	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	515,000.00	0.00	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	470,000.00	0.00	Other income	Related to income
Subsidies for work-based training (以工代訓補貼)	Fiscal appropriation	0.00	23,500.00	Other income	Related to income
Special Funds for Promoting High-quality Economic Development (促進經濟高質量發展專項資金)	Fiscal appropriation	0.00	328,020.00	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
Inland transportation subsidy for export enterprises (出口企業內陸運輸補助)	Fiscal appropriation	0.00	163,000.00	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	6,000,000.00	Other income	Related to assets
Pre-appropriation of subsidies for the industrialization project of new coronavirus detection reagents (新型冠狀病毒檢測試劑產業化專案補助金預撥)	Fiscal appropriation	0.00	1,497,000.00	Other income	Related to assets
Others	Fiscal appropriation	0.00	15,000.00	Other income	Related to income
Total		103,041,173.85	115,163,992.94		

NOTES TO THE FINANCIAL STATEMENTS

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 Period

Project	Amount	Reason
Export credit insurance subsidy	407,687.30	Re-appropriation

VI. CHANGE TO CONSOLIDATION SCOPE

1. Disposal of subsidiaries

Loss of control of subsidiaries by once disposal

Name of subsidiary	Amount of disposal for equity	Disposal ratio%	Mode of disposal	Time of ceased control	Recognition for the time of ceased control	Differences arising from disposal amount and portion of net assets held by disposal investment for the range of consolidated financial statement	Goodwill related to the subsidiary in the consolidated financial statement
Zhuhai 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	Percentage 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 major assumptions 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
Zhuhai Qiao Biotechnology Co., Ltd. (珠海啟奧生物技術有限公司)	-	-	-	-	-	-

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 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.

NOTES TO THE FINANCIAL STATEMENTS

VII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Group structure

Name of subsidiary	Type	Type of Legal Entity	Principal Place of Business	Place of Registration	Nature of Business	Registered Capital	Percentage of Shareholding%		Acquisition Method
							Direct	Indirect	
Ando Development Limited (安滔發展有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD500,000		100	Set-up
Lizhu (Hong Kong) Co., Limited (麗珠(香港)有限公司)	Wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD451,000,000	100		Set-up
Livzon International Limited	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD50,000		100	Set-up
Livzon International Ventures	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD50,000		100	Set-up
Livzon International Ventures I	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD50,000		100	Set-up
Livzon International Ventures II	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD50,000		100	Set-up
Li An (Hong Kong) Co., Ltd. (麗安香港有限公司)	Wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD313,000,000	100		Set-up
Zhuhai Modern Chinese Medicine High Technology Co., Ltd. (珠海現代中藥高科技有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Provision of services	RMB6,000,000	75	25	Set-up
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB450,000,000	74.46	25.54	Set-up
Livzon Group Livzon Pharmaceutical Marketing Co., Ltd. (麗珠集團麗珠醫藥營銷有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Sales of goods	RMB20,000,000	60.04	39.96	Set-up
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Sales 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. (上海麗珠生物科技股份有限公司)	Subsidiary of a holding subsidiary	Limited company	Shanghai	Shanghai	Provision of services	RMB10,000,000		75	Set-up
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB128,280,000		100	Set-up

NOTES TO THE FINANCIAL STATEMENTS

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Group structure (Continued)

Name of subsidiary	Type	Type of Legal Entity	Principal		Nature of Business	Registered Capital	Percentage of Shareholding%		Acquisition Method
			Place of Business	Place of Registration			Direct	Indirect	
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Jiaozuo	Jiaozuo	Manufacture of medicine	RMB70,000,000		100	Set-up
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	Holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB92,876,800	39.425	(Note)	Set-up
Companhia de Macau Carason Limitada (澳門嘉安信有限公司)	Subsidiary of a holding subsidiary	Limited company	Macau	Macau	Sales of goods	MOP100,000		100	Set-up
Zhuhai Lihe Medical Diagnostic Product Company Limited (珠海麗禾醫療診斷產品有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB15,000,000		100	Set-up
Shanghai Lihang Biotechnology Co., Limited (上海麗航生物科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Shanghai	Shanghai	Provision of services	RMB1,000,000		100	Set-up
Suzhou Lidi Biological Technology Co., Ltd. (蘇州麗迪生物科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Suzhou	Suzhou	Technology development	RMB1,000,000		100	Set-up
Zhuhai Liheng Medical Diagnostic Products Co., Ltd. (珠海立恒醫療診斷產品有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB15,000,000		100	Set-up
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
Livzon Pharmaceutical Biotechnology Co., Ltd. (麗珠醫藥生物技術有限公司)	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	Provision of services	RMB10,000,000	60.04	39.96	Set-up

NOTES TO THE FINANCIAL STATEMENTS

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Group structure (Continued)

Name of subsidiary	Type	Type of Legal Entity	Principal Place of Business		Nature of Business	Registered Capital	Percentage of Shareholding%		Acquisition Method
			Place of Business	Registration			Direct	Indirect	
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	Holding subsidiary	Limited company	Zhuhai	Zhuhai	Provision of services	RMB65,000,000	83.85		Set-up
Li Zhu (Macau) Limitada (麗珠(澳門)有限公司)	Wholly-owned subsidiary	Limited company	Macau	Macau	Provision of services	MOP100,000		100	Set-up
Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB353,486,850	60	40	Set-up
Zhuhai Livzon Pharmaceutical Equity Investment Management Co., Ltd. (珠海市麗珠醫藥股權投資管理有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Investment	RMB500,000,000	90	10	Set-up
Livzon Biologics Limited	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD50,000		100	Consolidation under common control
Zhuhai Livzon Biotechnology Co., Ltd. (珠海市麗珠生物醫藥科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB889,023,284	51		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	Provision of services	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

NOTES TO THE FINANCIAL STATEMENTS

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Group structure (Continued)

Name of subsidiary	Type	Type of Legal Entity	Principal		Nature of Business	Registered Capital	Percentage of Shareholding%		Acquisition Method
			Place of Business	Place of Registration			Direct	Indirect	
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
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 Liyu Biopharmaceutical Technology Co., Ltd. (上海麗予生物醫藥技術有限責任公司)	Holding subsidiary	Limited company	Shanghai	Shanghai	Technology development	RMB3,000,000	55		Set-up

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 shall have the right to appoint 4 directors to its board of directors, of whom one serves as the chairman of the board of directors, representing more than half of its 6 non-independent directors. Pursuant to Article 73 of the Articles of Association of Livzon Diagnostics, "The ordinary resolutions made at the general meeting shall be passed by more than half of the voting rights held by the shareholders (including their proxies) present at such general meeting". The matters to be passed by the ordinary resolutions include the annual budget plan, final account plan and other relevant activities of the company. The Company has the right to control Livzon Diagnostics through its influence on the general meeting and the board of directors of Livzon Diagnostics. As such, the Company includes Livzon Diagnostics into the scope of consolidation.

NOTES TO THE FINANCIAL STATEMENTS

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(2) Important non-wholly owned subsidiaries

Name of subsidiary	Percentage of minority interest (%)	Gain or loss for the Period attributable to minority interest	Dividends distributed to the minority interest for the Period	Balance of minority interest at the End of the Period
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司) (consolidated)	49.00	134,021,734.04	0.00	416,085,794.30
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	60.575	35,598,319.99	0.00	446,818,999.01
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	44.87	-77,298,192.60	0.00	349,876,394.59
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	12.86	27,160,693.84	0.00	200,506,859.66

(3) Major financial information on important non-wholly owned subsidiaries

Name of subsidiary	Balance at the End of the Period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司) (consolidated)	1,240,433,286.84	96,485,434.31	1,336,918,721.15	483,491,391.27	3,831,335.18	487,322,726.45
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	771,912,228.26	259,668,553.10	1,031,580,781.36	271,465,486.97	21,431,489.08	292,896,976.05
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	378,691,871.69	557,876,208.63	936,568,080.32	545,903,403.63	29,160,413.68	575,063,817.31
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	1,601,201,653.02	1,721,114,525.24	3,322,316,178.26	1,462,434,582.71	39,162,273.07	1,501,596,855.78

Name of subsidiary	Balance at the Beginning 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)	1,265,878,945.72	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

NOTES TO THE FINANCIAL STATEMENTS

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(3) Major financial information on important non-wholly owned subsidiaries (Continued)

Name of subsidiary	Amount for the Period				Amount for the Previous Period			
	Revenue	Net profit	Total Comprehensive income	Cash flow from operating activities	Revenue	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)	921,259,449.99	270,778,113.04	270,778,113.04	229,922,416.68	615,316,594.48	183,888,594.01	183,888,594.01	136,309,647.58
Zhuhai Livzon Diagnostics Inc. (珠海麗珠診斷股份有限公司) (consolidated)	393,941,254.34	59,492,850.35	59,508,094.49	-113,041,884.10	890,775,488.59	395,834,769.49	395,945,279.30	473,740,560.66
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	3,923,797.78	-196,537,484.36	-196,551,717.06	-291,169,204.99	259,914.35	-75,507,025.19	-75,467,900.78	-121,109,485.63
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	1,048,328,295.65	211,202,906.98	211,202,906.98	240,102,806.71	887,603,266.00	191,266,033.64	191,266,033.64	38,899,654.55

(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

Livzon Biologics Limited, a holding subsidiary of the Company, repurchased shares from its shareholders, namely Livzon International Limited, YF Pharmab Limited and Joicare Pharmaceutical Group Industry Co., Ltd. As at 13 May 2021, Livzon Biologics Limited repurchased an aggregate of 137,074,829 issued shares and retained one ordinary share, which are held by Livzon International Limited. Therefore, Livzon Biologics Limited became a wholly-owned subsidiary of Livzon International Limited.

② Impact of the transactions on the minority shareholders' equity and the owners' equity attributable to the parent company

Item	Livzon International Limited	
		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		-379,628.98
Difference		379,628.98
Of which: Adjustment to capital reserve		379,628.98

NOTES TO THE FINANCIAL STATEMENTS

VII. EQUITY IN OTHER ENTITIES *(Continued)*

2. Equity in joint ventures or associates

(1) Summarized accounting information for other non-important associates

Item	Balance at the End of the Period/Amount for the Period	Balance for the Previous Period/Amount for the Previous Period
Associates:		
Total carrying amount of investment	957,697,742.75	150,064,997.19
Total amount calculated by percentage of shareholding		
net profit	5,963,636.97	-4,702,830.92
other comprehensive income	0.00	0.00
total comprehensive income	5,963,636.97	-4,702,830.92

(2) Explanation of major restriction on capacity of capital transfer from associates or joint ventures to the Company

Nil.

VIII. RISKS MANAGEMENT OF FINANCIAL INSTRUMENTS

The major financial instruments of the Group include cash, bills receivable and 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 and 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 financial risk of these financial instruments and financial management policies used by the Group to minimize the risk 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. Management objectives and policies of risks

The operation activities of the Group are subject to various financial risks: market risks (mainly including foreign exchange risks and interest rate risks), credit risks and liquidity risks. The Group formulates an overall risk management plan with respect to the unforeseeability of the financial market in order to minimise the potential adverse impacts on the financial performance of the Group.

(1) Foreign exchange risks

The Group conducts its operation primarily in China. Substantially all of the transactions were denominated and settled in Renminbi. However, the Group still has certain imports and exports businesses regarding APIs and diagnostic reagents that are settled in U.S. dollar and Japanese Yen. The Group's businesses outside China (mainly in Hong Kong) are settled in Hong Kong dollars. In addition, the Group will have foreign currency loans according to the operating needs. In respect of the above, the Group still exposes to certain foreign exchange risks. Taking into account the foreign exchange risks acceptable by the Group, the Group adopted non-hedging foreign currency forward contracts to control foreign exchange risk. However, as to the foreign exchange risk in loans, the Group shall closely monitor the trend of the exchange rate of Renminbi, and timely adjust the extent of borrowings, so as to minimise its risks.

NOTES TO THE FINANCIAL STATEMENTS

VIII. RISKS MANAGEMENT OF FINANCIAL INSTRUMENTS *(Continued)*

1. Management objectives and policies of risks *(Continued)*

(1) Foreign exchange risks *(Continued)*

Financial assets and liabilities in foreign currencies held by the Group expressed in Renminbi are stated below:

① 30 June 2021

Unit: RMB'000

Item	HKD item	USD item	Euro item	JPY item	CHF item	MOP item
Financial assets in foreign currency:						
Cash	7,519.45	884,858.98	785.30	0.00	0.00	2,014.84
Financial assets held for trading	222,000.94	0.00	0.00	0.00	0.00	0.00
Accounts receivables	0.00	413,611.06	0.00	0.00	0.00	1,822.69
Other receivables	1,127.75	0.00	0.00	0.00	0.00	469.83
Other equity instrument investments	340,362.19	0.00	0.00	0.00	0.00	0.00
Subtotal:	571,010.33	1,298,470.04	785.30	0.00	0.00	4,307.36
Financial liabilities in foreign currency:						
Accounts payables	0.00	0.00	0.00	0.00	257.66	352.35
Other payables	96.74	16,768.59	0.00	0.00	0.00	0.00
Dividend payables	20,467.97	0.00	0.00	0.00	0.00	0.00
Subtotal:	20,564.71	16,768.59	0.00	0.00	257.66	352.35

NOTES TO THE FINANCIAL STATEMENTS

VIII. RISKS MANAGEMENT OF FINANCIAL INSTRUMENTS *(Continued)*

1. Management objectives and policies of risks *(Continued)*

(1) Foreign exchange risks *(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:						
Cash	51,036.10	935,237.20	640.57	0.00	0.00	1,120.27
Financial assets held for trading	5,596.91	0.00	0.00	0.00	0.00	0.00
Accounts receivables	0.00	308,601.23	1,275.65	0.00	0.00	2,335.99
Other receivables	1,131.46	0.00	0.00	0.00	0.00	474.95
Other equity instrument investments	535,245.14	0.00	0.00	0.00	0.00	0.00
Subtotal:	593,009.61	1,243,838.43	1,916.22	0.00	0.00	3,931.21
Financial liabilities in foreign currency:						
Accounts payables	0.00	218.39	45.46	6,688.92	0.00	0.00
Other payables	204.86	7,401.12	0.00	0.00	0.00	0.00
Subtotal:	204.86	7,619.51	45.46	6,688.92	0.00	0.00

As at 30 June 2021, in respect of the Group's financial assets and liabilities denominated in foreign currencies such as Hong Kong dollar, U.S. dollar, Euro, Japanese Yen and Macau dollar, should the value of RMB appreciate or depreciate by 5% against foreign currencies such as Hong Kong dollar, U.S. dollar, Euro, Japanese Yen and Macau dollar, and other factors remain unchanged, the Group would be subject to an increase or decrease in profit of approximately RMB91,831,490 (31 December 2020: approximately RMB91,406,840).

NOTES TO THE FINANCIAL STATEMENTS

VIII. RISKS MANAGEMENT OF FINANCIAL INSTRUMENTS *(Continued)*

1. Management objectives and policies of risks *(Continued)*

(2) Interest rate risk

The Group's exposures to interest rate risk are mainly arising from interest-bearing liabilities such as bank borrowings and bonds payables. The interest rates are affected by the macro monetary policies of China, hence the Group will face the risks arising from fluctuation of interest rates in the future.

The finance department of the head office of the Company continues to monitor the level of interest rate of the Group. The rise in the interest rate will increase the cost of additional interest-bearing liabilities and the interest expenses of the Group's outstanding interest-bearing liabilities of which the interests are calculated at floating rates, and impose material adverse impact on the financial results of the Group. The management will make timely adjustment based on the updated market conditions. The directors of the Company consider that the future changes in the interest rate will have no material adverse impact on the operating results of the Group.

(3) Credit risk

Credit risk is primarily attributable to cash and cash equivalents, restricted funds, accounts receivables and other receivables. In respect of cash at banks, they were placed at several banks with good reputations, for which the credit risk was limited. In respect of receivables, the Group shall assess the credit limit granted to customers for credit purpose. Moreover, as the customer base of the Group is large, the credit risk on accounts receivables is not concentrated. In respect of the settlement of bills receivables, since more quality bills such as bank acceptance bills are used, it's expected that there should be no significant credit risks as for whether the Group determines to hold for redemption upon maturity or endorse for payment to external parties based on capital requirements. In addition, the provision made on the impairment of accounts receivables and other receivables are adequate to manage the credit risk.

Among the accounts receivables of the Group, the accounts receivable of the top five customers accounted for 9.16% (31 December 2020: 11.34%); among the other receivables of the Group, the other receivables of the top five customers accounted for 60.97% (31 December 2020: 70.12%).

(4) Liquidity risk

Liquidity risk refers to the risk of shortage of funds that the Group may encounter in meeting its obligations of settlement by delivering cash or other financial assets.

The Group adopts prudent liquidity risk management for the sufficient supply of monetary funds and liquidity. It secures readily available credit loans from banks mainly by maintaining adequate monetary funds and banking facilities. Apart from indirect financing from banks, a number of financing channels were available, such as direct financing by inter-bank market including short-term financing bills and medium-term financing bills, corporate bonds etc. These instruments can effectively reduce the effects of scale of financing and the macro monetary policies of China on indirect bank financing, which shall secure adequate funds in a flexible manner.

NOTES TO THE FINANCIAL STATEMENTS

VIII. RISKS MANAGEMENT OF FINANCIAL INSTRUMENTS *(Continued)*

1. Management objectives and policies of risks *(Continued)*

(4) Liquidity risk *(Continued)*

As at the date of the balance sheet, the contractual cash flows of financial assets and financial liabilities are presented below by term of maturity:

① 30 June 2021

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Monetary funds	8,584,471,097.96	0.00	0.00	0.00	8,584,471,097.96
Financial assets held for trading	240,934,298.66	0.00	0.00	0.00	240,934,298.66
Bills receivables	1,310,227,427.33	0.00	0.00	0.00	1,310,227,427.33
Accounts receivables	2,194,644,755.59	0.00	0.00	0.00	2,194,644,755.59
Other receivables	81,438,669.71	0.00	0.00	0.00	81,438,669.71
Long-term receivables	0.00	584,284.36	0.00	0.00	584,284.36
Subtotal:	12,411,716,249.25	584,284.36	0.00	0.00	12,412,300,533.61
Financial liabilities:					
Short-term borrowings	1,761,919,976.54	0.00	0.00	0.00	1,761,919,976.54
Financial liabilities held for trading	481,103.14	0.00	0.00	0.00	481,103.14
Bills payables	1,174,176,103.65	0.00	0.00	0.00	1,174,176,103.65
Accounts payables	687,603,565.78	0.00	0.00	0.00	687,603,565.78
Other payables	2,405,547,261.30	0.00	0.00	0.00	2,405,547,261.30
Non-current liabilities due within one year	10,033,022.95	0.00	0.00	0.00	10,033,022.95
Lease liabilities	0.00	5,004,084.43	2,082,940.14	0.00	7,087,024.57
Long-term borrowings	0.00	0.00	638,453,815.00	0.00	638,453,815.00
Subtotal:	6,039,761,033.36	5,004,084.43	640,536,755.14	0.00	6,685,301,872.93

NOTES TO THE FINANCIAL STATEMENTS

VIII. RISKS MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

1. Management objectives and policies of risks (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 receivables	1,743,148,037.38	0.00	0.00	0.00	1,743,148,037.38
Other receivables	74,284,405.28	0.00	0.00	0.00	74,284,405.28
Non-current assets due within one 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 borrowings	1,550,942,804.06	0.00	0.00	0.00	1,550,942,804.06
Financial liabilities held for trading	212.07	0.00	0.00	0.00	212.07
Bills payables	918,007,030.57	0.00	0.00	0.00	918,007,030.57
Accounts payables	706,786,957.67	0.00	0.00	0.00	706,786,957.67
Other payables	2,175,668,243.15	0.00	0.00	0.00	2,175,668,243.15
Non-current liabilities due within one year	8,539,077.05	0.00	0.00	0.00	8,539,077.05
Lease liabilities	0.00	6,547,338.47	3,551,686.95	0.00	10,099,025.42
Long-term borrowings	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 Group, 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 Group might adjust financing method, the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments or make an asset disposal to reduce the liabilities.

The Group monitors the capital structure with gearing ratio (calculated by dividing total liabilities by total assets). On 30 June 2021, the Group's gearing ratio is 36.11% (31 December 2020: 33.76%).

NOTES TO THE FINANCIAL STATEMENTS

VIII. RISKS 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 30 June 2021, the Group's carrying amounts of bank acceptance bills undue and endorsed to suppliers for settling account payables is RMB179,600,201.83 (31 December 2020: RMB179,210,581.73); the Group has no commercial acceptance bills undue and endorsed to suppliers for settling account payables (31 December 2020: RMB0.00). On 30 June 2021, the due dates fall into 1 to 9 months. In accordance with the Law of Negotiable Instruments, the holders of the bills have a right of recourse against the Group if payment is refused by the bank of acceptance (the "Continuing Involvement"). In the opinion of the Group, the Group has transferred substantially all risks and rewards. Accordingly, their full carrying amounts and the associated account payables have been derecognized. The maximum loss and the undiscounted cash flows from the Continuing Involvement and repurchasing is equal to their carrying amounts. In the opinion of the Group, the fair values of the Continuing Involvement are not significant.

During January to June 2021, no gain or loss was generated by the Group on the date of transfer of the bills. The Group had no current or accumulated gain or expense arising from the Continuing Involvement in financial assets which had been derecognized. The endorsement was incurred evenly throughout the Period.

IX. FAIR VALUE

Based on the inputs of the lowest level that are of great significance to the measurement as a whole in the fair value measurement, the fair value hierarchy can be categorized as:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than the quoted market price of assets or liabilities in Level 1, either directly (the prices) or indirectly (derived from prices).
- Level 3: Any input that is not based on observable market data (unobservable inputs) is used for assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS

IX. FAIR VALUE *(Continued)*

(1) Items and amounts measured at fair value

As at 30 June 2021, assets and liabilities measured at fair value are listed as follows based on the three hierarchies set out below:

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	238,093,196.95	2,841,101.71	0.00	240,934,298.66
1. Debt instrument investments	926,807.89	0.00	0.00	926,807.89
2. Equity instrument investments	237,166,389.06	0.00	0.00	237,166,389.06
3. Derivative financial assets	0.00	2,841,101.71	0.00	2,841,101.71
(II) Other equity instrument investments	0.00	0.00	547,634,492.03	547,634,492.03
Total assets measured at fair value on a recurring basis	238,093,196.95	2,841,101.71	547,634,492.03	788,568,790.69
(III) Financial liabilities held for trading				
1. Derivative financial liabilities	0.00	481,103.14	0.00	481,103.14
Total liabilities measured at fair value on a recurring basis	0.00	481,103.14	0.00	481,103.14
II. Non-recurring fair value measurement				
Held-for-sale assets	0.00	0.00	0.00	0.00
Total assets measured at fair value on a non-recurring basis	0.00	0.00	0.00	0.00
Total liabilities measured at fair value on a non-recurring basis	0.00	0.00	0.00	0.00

During January to June 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 active market, the Group measures fair value at quoted price in active market; the Group's debt instruments investment and equity instruments investment held for trading were listed for trading in Shenzhen, Hong Kong and the United States, their fair values were determined based on the closing price on the last trading date in the Reporting Period.

For financial instrument traded without active market, the Group measures fair value using valuation techniques. Valuation models used are mainly cash flow discount model and market comparable entity model. Inputs of the valuation techniques mainly include risk-free interest rate, benchmark interest rate, foreign exchange rate, credit spread, liquidity premium, lack of liquidity discount, etc.

NOTES TO THE FINANCIAL STATEMENTS

IX. FAIR VALUE (Continued)

(2) Information about the fair value measurement of level 2

Item	Fair value at the End of the Period	Valuation techniques
Derivative financial assets	2,841,101.71	The fair value is measured at the forward exchange rate quoted by the respective matured contract
Derivative financial liabilities	481,103.14	The fair value is measured at the forward exchange rate quoted by the respective matured contract

(3) The quantitative information of important unobservable input used in the Level 3 fair value measurement

Item	Fair value at the End of the Period	Valuation techniques
Other equity instrument investments – China Resources Bank of Zhuhai Co., Ltd.	170,772,300.00	Market method
Other equity instrument investments – GLOBAL HEALTH SCIENCE	227,873,899.09	Net asset method
Other equity instrument investments – SCC VENTURE VI 2018-B, L.P.	13,566,215.68	Net asset method
Other equity instrument investments – Nextech V Oncology S.C.S., SICAV-SIF	31,350,997.34	Net asset method
Other equity instrument investments – Others	104,071,079.92	Cost method

X. RELATED PARTIES AND RELATED TRANSACTIONS

1. Parent company of the Company

Name of parent company	Place of registration	Nature of business	Registered capital (RMB0'000)	Percentage of the entity's shareholding held by the parent company (%)	Percentage of the entity's voting rights held by the parent company (%)
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Shenzhen	Production and operation of oral liquid, drugs and healthcare food	1,958,593,217	23.66	23.66

Notes to the parent company of the Company:

As at 30 June 2021, the Company's parent company and its subsidiaries held a total of 418,878,625 shares in the Company, representing 44.76% 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

NOTES TO THE FINANCIAL STATEMENTS

X. RELATED PARTIES AND RELATED TRANSACTIONS *(Continued)*

2. The Company's subsidiaries

Please refer to note VII.1. for the details of subsidiaries.

3. Joint ventures and associates of the Group

Please refer to note V.11. and note VII.2. for the details of the joint ventures and associates.

Other joint ventures or associates entered into transactions with the Group during the Period, or during the prior period with remaining closing balance were as follows:

Name of joint ventures and associates	Relationship with the Group
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Associate
Shenzhen City Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	Associate
AbCyte Therapeutics Inc.	Associate
L&L Biopharma, Co. Ltd. (上海健信生物醫藥科技有限公司)	Associate
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Associate
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司) (formerly known as Livzon Gene Diagnostics Inc. (珠海市麗珠基因檢測科技有限公司))	A company controlled by the associate
Aetio Biotherapy, Inc.	Associate
Henan Province Joicare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Associate and a company controlled by the parent company
Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd. (江蘇新元素醫藥科技有限公司)	Associate
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	Associate
Infinite Intelligence Pharma (北京英飛智藥科技有限公司)	Associate

NOTES TO THE FINANCIAL STATEMENTS

X. RELATED PARTIES AND RELATED TRANSACTIONS *(Continued)*

4. Other related parties of the Group

Name of related parties	Relationship with the Group
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	A company controlled by the parent company
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	A company controlled by the parent company
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	A company controlled by the parent company
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	A company controlled by the parent company
Zhuhai Joincare Pharmaceutical Co., Ltd. (珠海健康元生物醫藥有限公司)	A company controlled by the parent company
Health Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	A company controlled by the parent company
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	A company controlled by the parent company
Shenzhen Taitai Biotechnology Co., Ltd. (深圳太太生物科技有限公司)	A company controlled by the parent company
Shenzhen Taitai Gene Engineering Co., Ltd. (深圳太太基因工程有限公司)	A company controlled by the parent company
Topsino Industries Limited (天誠實業有限公司)	A company controlled by the parent company
Guangzhou Joincare Respiratory Drugs Engineering Technology Co., Ltd. (廣州健康元呼吸藥物工程技術有限公司)	A company controlled by the parent company
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	A company controlled by the parent company
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
Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司) and its subsidiaries	A subsidiary of the company in which a Director of the Company is holding position
Joincare Pharmaceutical Group Industry Co., Ltd.	A company controlled by the parent company
Zhuhai Medpha Biotechnology Co., Ltd. (珠海麥得發生物科技股份有限公司)	A company in which a senior management of the Company is holding position
Zhuhai Xianghetai Investment Management Partnership (Limited Partnership) (珠海祥和泰投資管理合夥企業(有限合夥))	An enterprise controlled by senior management of the Company
Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥))	An enterprise controlled by a Director
Zhuhai Liying Investment Management Partnership (Limited Partnership) (珠海麗英投資管理合夥企業(有限合夥))	An enterprise controlled by a Director
Directors, Supervisors and other senior management personnel	Key management personnel

NOTES TO THE FINANCIAL STATEMENTS

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 Period	Amount for the Previous Period
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Raw materials	The market price	3,122,300.89	2,497,840.69
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Raw materials	The market price	15,597,880.00	22,390,191.83
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	Raw materials	The market price	11,445,991.17	0.00
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Finished goods	The market price	97,051.32	194,477.87
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Finished goods	The market price	0.00	21,238.94
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	18,053.10
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Raw materials	The market price	98,448,741.98	144,497,430.25
Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司) and its subsidiaries	Finished goods	The market price	12,157.00	0.00
Purchase of goods in aggregate			128,724,122.36	169,619,232.68
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	9,935,484.43	10,395,069.87
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥技術有限公司)	R&D	Based on negotiation	0.00	6,515,000.00
L&L Biopharma, Co. Ltd. (上海健信生物醫藥科技有限公司)	R&D	Based on negotiation	188,679.24	0.00
Shenzhen City Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	Training	Based on negotiation	141,700.00	0.00
Receipt of services in aggregate			10,265,863.67	16,910,069.87

NOTES TO THE FINANCIAL STATEMENTS

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 Period	Amount for the Previous Period
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Finished goods	The market price	27,042,265.56	7,887,327.43
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Raw materials	The market price	0.00	510,902.35
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Finished goods	The market price	883,748.11	5,596.46
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Finished goods	The market price	1,124,336.29	0.00
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	116,516.81
Joicare Haibin Pharmaceutical Co., Ltd. (健康元海濱製藥有限公司)	Finished goods	The market price	1,146,902.65	625,233.98
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	34,739.80	0.00
Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司) and its subsidiaries	Finished goods	The market price	2,697,554.00	0.00
Sales of goods in aggregate			32,929,546.41	9,145,577.03
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Water, electricity, and power	The market price	3,471,832.92	3,429,216.77
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	165,178.90	0.00
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Water, electricity, power and others	The market price	159,723.45	987,045.99
Provision of services in aggregate			3,796,735.27	4,416,262.76
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	2,188,915.13
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Processing and testing	Based on negotiation	132,287.61	0.00
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Processing and testing	Based on negotiation	0.00	0.00
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Processing and testing	Based on negotiation	161,739.12	140,576.76
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
Provision of services in aggregate			834,364.90	2,342,680.57

NOTES TO THE FINANCIAL STATEMENTS

X. RELATED PARTIES AND RELATED TRANSACTIONS (Continued)

5. Related transactions (Continued)

(2) Related party leases

① The Company as a lessor

Name of lessee	Type of leased assets	Lease income recognized for the Period	Lease income recognized for the Previous Period
Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	Plant & buildings	45,847.68	45,847.68
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Plant & buildings	1,113,149.50	1,597,855.26
Joincare (Guangdong) Special Medicine Food Co., Ltd. (健康元(廣東)特醫食品有限公司)	Plant & buildings	189,771.42	0.00
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Plant & buildings	120,000.00	0.00

② The Company as a lessee

Name of lessor	Type of leased assets	Lease expenses recognized for the Period	Lease expenses recognized for the Previous Period
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Plant & buildings	389,791.81	389,790.82
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Plant & buildings, equipment	1,321,703.01	1,337,974.38

(3) Related party asset transfers and debt restructuring

Related party	Description of related party transaction	Amount for the Period	Amount for the Previous Period
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Procurement of equipment	155,384.62	0.00
Shenzhen Taitai Gene Engineering Co., Ltd. (深圳太太基因工程有限公司)	Procurement of equipment	9,238.00	0.00

NOTES TO THE FINANCIAL STATEMENTS

X. RELATED PARTIES AND RELATED TRANSACTIONS (Continued)

5. Related transactions (Continued)

(4) Related party guarantees

- ① The details on the guarantees provided to the subsidiaries by the Company were set out as follows

A. Credit Facilities Guarantees

Unit: RMB0'000

Name of guaranteed party	Actual date of event (Signing date of agreement)	Balance at the End of the Period	Actual Guarantee amount	Guaranteed amount	Description and type of guarantee	Period of guarantee
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	2020.6.10	365.18	365.18	10,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank)
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	2020.6.30	1,400.26	1,400.26	20,000.00	Opening bank acceptance bills, joint liability guarantee	2020.6.30-2023.2.28 (Bank of Communications)
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2020.3.20	3,729.79	3,729.79	15,000.00	Short-term borrowings, Opening letter of guarantee, joint liability guarantee	2020.3.20-2023.2.28 (Bank of Communications)
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2020.7.17	20,000.00	20,000.00	30,000.00	Short-term borrowings, joint liability guarantee	2020.7.17-2021.9.29 (China Merchants Bank)
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2021.4.20	1,679.07	1,679.07	20,000.00	Short-term borrowings, 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)	2021.4.12	2,061.57	2,061.57	20,000.00	Short-term borrowings, joint liability guarantee	2021.4.12-2022.4.11 (Agricultural Bank)
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2021.5.27	9,840.00	9,840.00	30,000.00	Short-term borrowings, joint liability guarantee	2021.5.27-2022.5.20 (Industrial and Commercial Bank of China)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2020.3.31	14,425.85	14,425.85	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)	2020.6.11	1,371.38	1,371.38	30,000.00	Opening letter of credit, joint liability guarantee	2020.6.11-2021.5.26 (Industrial and Commercial Bank of China)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2020.7.31	8,971.57	8,971.57	15,000.00	Opening bank acceptance bills, joint liability guarantee	2020.7.31-2021.7.31 (Minsheng Bank)

NOTES TO THE FINANCIAL STATEMENTS

X. RELATED PARTIES AND RELATED TRANSACTIONS *(Continued)*

5. Related transactions *(Continued)*

(4) Related party guarantees *(Continued)*

① The details on the guarantees provided to the subsidiaries by the Company were set out as follows *(Continued)*

A. Credit Facilities Guarantees *(Continued)*

Name of guaranteed party	Actual date of event (Signing date of agreement)	Balance at the End of the Period	Actual Guarantee amount	Guaranteed amount	Description and type of guarantee	Period of guarantee
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2020.3.30	8,802.11	8,802.11	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	7,282.95	7,282.95	20,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank)
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2020.6.10	4,584.21	4,584.21	8,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank)
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2020.5.20	1,831.43	1,831.43	4,000.00	Opening bank acceptance bills, joint liability guarantee	2020.5.20-2023.2.21 (Bank of Communications)
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2021.1.4	537.00	537.00	11,000.00	Opening letter of guarantee, 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	9,005.60	9,005.60	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	8,742.79	8,742.79	22,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank)

NOTES TO THE FINANCIAL STATEMENTS

X. RELATED PARTIES AND RELATED TRANSACTIONS *(Continued)*

5. Related transactions *(Continued)*

(4) Related party guarantees *(Continued)*

① The details on the guarantees provided to the subsidiaries by the Company were set out as follows *(Continued)*

A. Credit Facilities Guarantees *(Continued)*

Name of guaranteed party	Actual date of event (Signing date of agreement)	Balance at the End of the Period	Actual Guarantee amount	Guaranteed amount	Description and type of guarantee	Period of guarantee
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2020.6.10	3,500.56	3,500.56	8,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank)
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團 福州福興醫藥有限公司)	2020.6.10	4,581.69	4,581.69	10,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank)
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成 製藥有限公司)	2020.6.10	6,861.43	6,861.43	15,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank)
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成 製藥有限公司)	2021.1.14	5,054.02	5,054.02	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)	2020.7.27	6,605.62	6,605.62	15,000.00	Opening bank acceptance bills, joint liability guarantee	2020.7.27-2021.7.27 (Minsheng Bank)
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	2020.6.10	212.70	212.70	4,000.00	Opening bank acceptance bills, joint liability guarantee	2017.8.22-2025.6.1 (Standard Chartered Bank)
Total actual amount guaranteed for subsidiaries during the Reporting Period				119,385.55		
Total balance of actual amount guaranteed for subsidiaries at the end of the Reporting Period				131,446.77		

NOTES TO THE FINANCIAL STATEMENTS

X. RELATED PARTIES AND RELATED TRANSACTIONS (Continued)

5. Related transactions (Continued)

(4) Related party guarantees (Continued)

- ① The details on the guarantees provided to the subsidiaries by the Company were set out as follows (Continued)

B. Pledge and guarantee of bills

On 23 April 2018, the thirteenth meeting of the ninth session of the Board of the Company reviewed and approved the "Resolution on Conducting Bills Pooling Business" and agreed that an amount of up to RMB1.4 billion for conducting bills pooling business is to be shared by the Company and its subsidiaries, such amount may be utilized on rolling basis. As at 30 June 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)	26,638.16	Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	1,645.95	Till 10 December 2021
			Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	Opening bank acceptance bills, joint liability guarantee	3,252.32	Till 10 December 2021
			Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	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	14,094.70	Till 20 February 2022
			Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Opening bank acceptance bills, joint liability guarantee	755.62	Till 20 December 2021
			Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	2,026.63	Till 16 December 2021
			Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	471.32	Till 17 March 2022
			Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	Opening bank acceptance bills, joint liability guarantee	863.22	Till 20 November 2021
			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	264.16	Till 17 December 2021

Total balance of actual guaranteed amount for subsidiaries at the End of the Reporting Period

23,403.27

NOTES TO THE FINANCIAL STATEMENTS

X. RELATED PARTIES AND RELATED TRANSACTIONS *(Continued)*

5. Related transactions *(Continued)*

(4) Related party guarantees *(Continued)*

- ② Subsidiaries' guarantees to subsidiaries
Nil.

- ③ Guarantee provided to related parties by the Company

On 24 December 2020, the Company entered into the Guarantee Agreement at an amount of RMB29.00 million with Industrial and Commercial Bank of China Limited, Zhuhai Branch (中國工商銀行股份有限公司珠海分行), pursuant to which the Company shall provide guarantee for the loan granted to Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司) by Industrial and Commercial Bank of China Limited, Zhuhai Branch and the guarantee period of which will be expired on 24 December 2021. During the Period, 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 30 June 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.

- 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 Lilin 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.

NOTES TO THE FINANCIAL STATEMENTS

X. RELATED PARTIES AND RELATED TRANSACTIONS *(Continued)*

5. Related transactions *(Continued)*

(5) Remuneration of key management personnel

① Directors', supervisors' and senior management's remuneration is disclosed as follows

January to June 2021

Unit: RMB0'000

	Fees of Director/ Supervisor	Salaries and allowances	Social insurance	Housing provident fund	Bonus	Signing bonus	Compensation for loss of office	Others	Total
Non-executive Directors:									
Zhu Baoguo (朱保國)	162.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	162.50
Tao Desheng (陶德勝)	150.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	150.00
Qiu Qingfeng (邱慶豐)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Yu Xiong (俞雄)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Executive Directors:									
Tang Yanggang (唐陽剛)	4.80	55.38	2.33	0.76	10.00	0.00	0.00	0.00	73.27
Xu Guoxiang (徐國祥)	150.00	46.15	2.22	0.76	0.00	0.00	0.00	9.50	208.63
Independent Non-executive Directors:									
Bai Hua (白華)	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.00
Zheng Zhihua (鄭志華)	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.00
Xie Yun (謝耘)	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.00
Tian Qiusheng (田秋生)	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.00
Wong Kam Wa (黃錦華)	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.00
Supervisors:									
Wang Maolin (汪卯林)	3.60	25.38	2.33	0.76	0.10	0.00	0.00	0.00	32.17
Tang Yin (湯胤)	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00
Huang Huamin (黃華敏)	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00
Other senior management:									
Yang Daihong (楊代宏)	0.00	46.15	2.33	0.76	0.00	0.00	0.00	0.00	49.24
Xu Peng (徐朋)	0.00	46.45	0.00	0.00	0.00	0.00	0.00	0.04	46.49
Si Yanxia (司燕霞)	0.00	46.15	2.33	0.76	0.00	0.00	0.00	0.00	49.24
Zhou Peng (周鵬)	0.00	41.54	2.33	0.76	0.00	0.00	0.00	0.00	44.62
Huang Yuxuan (黃瑜璇)	0.00	41.54	2.60	1.60	0.00	0.00	0.00	7.19	52.92
Yang Liang (楊亮)	0.00	36.92	2.33	0.76	0.00	0.00	0.00	0.00	40.01
Total	516.50	385.68	18.78	6.90	10.10	0.00	0.00	16.73	954.69

NOTES TO THE FINANCIAL STATEMENTS

X. RELATED PARTIES AND RELATED TRANSACTIONS (Continued)

5. Related transactions (Continued)

(5) Remuneration of key management personnel (Continued)

① Directors', supervisors' and senior management's remuneration is disclosed as follows (Continued)

January to June 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)	162.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	162.50
Tao Desheng (陶德勝)	150.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	150.00
Qiu Qingfeng (邱慶豐)	3.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.60
Yu Xiong (俞雄)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Executive Directors:									
Tang Yanggang (唐陽剛)	3.60	55.38	0.97	0.66	6.90	0.00	0.00	0.00	67.52
Xu Guoxiang (徐國祥)	150.00	46.15	1.26	0.66	0.00	0.00	0.00	8.68	206.76
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)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Zheng Zhihua (鄭志華)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Xie Yun (謝耘)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Tian Qiusheng (田秋生)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Wong Kam Wa (黃錦華)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Supervisors:									
Wang Maolin (汪卯林)	2.10	25.38	1.27	0.66	0.00	0.00	0.00	0.00	29.42
Tang Yin (湯胤)	1.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.80
Huang Huamin (黃華敏)	1.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.80
Other senior management:									
Yang Daihong (楊代宏)	0.00	41.54	1.29	0.66	0.00	0.00	0.00	0.00	43.49
Xu Peng (徐朋)	0.00	0.00	0.00	0.00	51.00	0.00	0.00	0.00	51.00
Si Yanxia (司燕霞)	0.00	44.68	1.29	0.66	0.00	0.00	0.00	0.00	46.63
Zhou Peng (周鵬)	0.00	36.92	1.28	0.66	0.00	0.00	0.00	0.00	38.87
Huang Yuxuan (黃瑜璇)	0.00	40.62	0.83	1.51	0.25	0.00	0.00	0.14	43.35
Yang Liang (楊亮)	0.00	27.92	1.27	0.66	0.00	0.00	0.00	0.00	29.86
Dai Weiguo (戴衛國)	0.00	43.88	0.20	0.00	0.02	0.00	0.00	0.00	44.10
Total	499.40	362.49	9.66	6.16	58.17	0.00	0.00	8.82	944.70

Mr. Yu Xiong was appointed in June 2020, Mr. Bai Hua was appointed in June 2020 and Mr. Xu Peng was appointed in April 2020. Mr. Dai Weiguo has resigned in May 2020 and Mr. Xu Yanjun has retired in June 2020.

NOTES TO THE FINANCIAL STATEMENTS

X. RELATED PARTIES AND RELATED TRANSACTIONS *(Continued)*

5. Related transactions *(Continued)*

(5) Remuneration of key management personnel *(Continued)*

② Individuals with highest emoluments

For January to June 2021, four of the five highest paid individuals were directors of the Company and one of them was a member of the senior management of the Company; for January to June 2020, four of the five highest paid individuals were directors of the Company and one of them was a member of the senior management of the Company. The remuneration of directors and senior management of the Company were already disclosed in Note X.5.(5) "Remuneration of key management personnel", and the emoluments of the five highest paid individuals were within the following bands:

Item	January to June 2021	January to June 2020
Number of individuals within the band of \$0-\$1,000,000	2	2
Number of individuals within the band of \$1,000,001-\$1,500,000	1	1
Number of individuals within the band of \$1,500,001-\$2,000,000	1	1
Number of individuals within the band of \$2,000,001-\$2,500,000	1	1
Number of individuals within the band of \$2,500,001-\$3,000,000	—	—
Number of individuals within the band of \$3,000,001-\$3,500,000	—	—
Number of individuals within the band of \$3,500,001-\$4,000,000	—	—
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	—	—
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	—	—

③ Emoluments band of senior management

Item	January to June 2021	January to June 2020
Number of individuals within the band of \$0-\$1,000,000	8	9
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	1	1
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	—	—
Number of individuals within the band of \$3,500,001-\$4,000,000	—	—
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	—	—
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	—	—

During January to June 2021 and 2020, no emolument was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group; or as compensation for loss of office. None of the directors or supervisors waived any remuneration.

NOTES TO THE FINANCIAL STATEMENTS

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), Joincare Pharmaceutical Industry Group Co., Ltd.* (健康元藥業集團股份有限公司) ("Joincare"), Joincare Pharmaceutical Group Industry Co., Ltd. ("Joincare BVI", a wholly-owned subsidiary of Joincare), 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"), Zhuhai Livzon Biotechnology Co., Ltd* (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 Joincare 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 Joincare on the basis of RMB1 of the registered capital for RMB1 of the subscription, of which the Company contributed RMB281,722,419.00 and Joincare 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.

NOTES TO THE FINANCIAL STATEMENTS

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)*

- 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, Joincare BVI and YF upon capital reduction of Livzon Cayman.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

X. RELATED PARTIES AND RELATED TRANSACTIONS (Continued)

6. Amounts due from/to related parties

(1) Amounts due from related parties

Item	Related parties	Balance at the End of the Period		Balance at the Beginning of the Year	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Bills receivables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	0.00	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)	7,417,434.22	0.00	0.00	0.00
Bills receivables	Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	757,800.00	0.00	0.00	0.00
Subtotal of bills receivables		8,175,234.22	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)	15,278,880.00	152,788.80	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)	64,268.10	643.04	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)	109,121.19	1,091.21	74,381.43	721.50
Accounts receivables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	995,181.09	9,951.81	0.00	0.00
Accounts receivables	Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	1,270,500.00	12,577.95	162,000.00	1,603.80
Accounts receivables	Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司) and its subsidiaries	541,193.60	169,010.36	0.00	0.00
Subtotal of accounts receivables		18,259,143.98	346,063.17	5,367,904.57	55,156.85
Prepayments	Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	86,676.00	0.00	0.00	0.00
Prepayments	Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司) and its subsidiaries	153,900.00	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 City Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	478,150.00	0.00	0.00	0.00
Subtotal of prepayments		929,926.00	0.00	365,100.00	0.00

NOTES TO THE FINANCIAL STATEMENTS

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 Period		Balance at the Beginning of the Year	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	1,338,551.32	17,936.59	0.00	0.00
Other receivables	Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	159,723.45	1,597.23	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)	572,758.46	5,727.58	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)	15,795.00	691.82	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)	66,420.00	664.20	0.00	0.00
Subtotal of other receivables		2,153,248.23	26,617.42	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)	1,840,994.29	0.00	1,740,994.29	0.00

NOTES TO THE FINANCIAL STATEMENTS

X. RELATED PARTIES AND RELATED TRANSACTIONS *(Continued)*

6. Amounts due from/to related parties *(Continued)*

(2) Amounts due to related parties

Item	Related parties	Balance at the End of the Period	Balance at the Beginning of the Year
Bills payables	Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	137,196,053.93	75,501,682.49
Bills payables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	11,733,106.40	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)	2,768,280.00	0.00
Subtotal of bills payables		151,737,440.33	87,601,245.89
Accounts payables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	379,960.00	0.00
Accounts payables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	5,186,736.00	0.00
Accounts payables	Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	3,141,250.00	8,788,324.00
Accounts payables	Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	55,791,911.23	89,011,757.84
Subtotal of accounts payables		64,499,857.23	97,800,081.84
Dividends payable	Topsino Industries Limited (天誠實業有限公司)	20,467,966.96	0.00
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
Subtotal of dividends payable		20,467,966.96	1,466,606.04
Other payables	Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	6,574,389.97	5,695,618.89

NOTES TO THE FINANCIAL STATEMENTS

XI. SHARE-BASED PAYMENT

1. General information about share-based payment

Total equity instruments granted during the Current Period by the Company (Share)	—
Total equity instruments exercised during the Current Period by the Company (Share)	3,641,051
Total equity instruments of the Company expired during the Current Period (Share)	—
Range of exercise price of share option of the Company outstanding and remaining term of contract as at the End of the Period	Note 1
Range of exercise price of other equity instruments of the Company and remaining term of contract as at the End of the Period	Note 2

Note 1: Share Option

① On 5 September 2018, the Resolution on 2018 Share Options Incentive Scheme (Revised Draft) and its summary", the "Resolution on Administrative Measures for Appraisal System of the 2018 Share Options Incentive Scheme of Livzon Pharmaceutical Group Inc." and the "Resolution on the General Meeting For Granting Mandate to the Board to Deal with Matters Regarding the 2018 Share Options Incentive Scheme" were considered and approved at the 2018 Third Extraordinary General Meeting, the 2018 Third Class Meeting of A Shareholders and the 2018 Third Class Meeting of H Shareholders. On 11 September 2018, the "Resolution in Relation to the Adjustment of the List of Incentive Participants of the First Grant and the Quantity to be Granted for the First Grant under 2018 Share Options Incentive Scheme" and the "Resolution on the Related Matters of the First Grant of 2018 Share Options Incentive Scheme" were considered and approved at the 19th meeting of the ninth session of the Board, 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. As at 30 June 2021, the number of share options exercised for the Period was 11,985,775 and the number of outstanding share options was 8,778,703.

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.

NOTES TO THE FINANCIAL STATEMENTS

XI. SHARE-BASED PAYMENT *(Continued)*

1. General information about share-based payment *(Continued)*

Note 1: Share Option (Continued)

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. As at 30 June 2021, the number of share options exercised for the Period was 1,727,997 and the number of outstanding share options was 486,603.

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.

NOTES TO THE FINANCIAL STATEMENTS

XI. SHARE-BASED PAYMENT *(Continued)*

1. General information about share-based payment *(Continued)*

Note 2: Other equity incentives (Continued)

On 8 November 2019, the resolution on the Implementation of Employee Equity Incentive Scheme by a Holding Subsidiary was considered and approved at the 34th meeting of the ninth session of the Board, pursuant to which, the total number of shares of new issuance by Zhuhai Livzon Diagnostics Inc. 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 shares/shareholding of the shareholders of Zhuhai Livzon Diagnostics Inc..

2. Equity settled share-based payments

Determination on fair value of equity instruments as the date of grant	Black-Scholes Model, market price
Basis for determining quantity of exercisable equity instruments	—
Reasons for significant discrepancies between estimate for the Period and Previous Period	Nil
Accumulated amount of equity settled share-based payments included in capital reserve	131,910,262.80
Total expense recognised for equity settled share-based payments for the Period	12,214,416.79

3. Cash settled share-based payments

Nil.

NOTES TO THE FINANCIAL STATEMENTS

XII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Contracted but not recognised in the financial statement	Balance at the End of the Period	Balance at the Beginning of the Year
Commitments in relation to acquisition of long-term assets	501,892,365.16	621,715,798.13

(2) Operating lease commitments

As at 30 June 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 Period
Within one year from the balance sheet date	10,033,022.95
In the second year from the balance sheet date	5,004,084.43
In the third year from the balance sheet date	2,176,941.39
Subsequent years	1,293,888.68
Total	18,507,937.45

(3) Other commitments

Nil.

(4) Performance of previous commitments

The Group has duly performed the capital expenditure commitments and the operating lease commitments as at 31 December 2020 and the other commitments.

2. Contingencies

As at 30 June 2020, there were no significant contingencies required to be disclosed by the Group.

NOTES TO THE FINANCIAL STATEMENTS

XIII. POST BALANCE SHEET DATE EVENTS

As at 24 August 2021, the Group has no other events that needed to be disclosed after the balance sheet date.

XIV. OTHER SIGNIFICANT MATTERS

1. Adjustment to the use of proceeds from Fund-Raising 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 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)", 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 Period
Short-term leases	2,715,967.97
Leases of low value assets	0.00
Total	2,715,967.97

As at the date of the balance sheet, other than the matters mentioned above, the Company has no other significant events that need to be disclosed.

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.

NOTES TO THE FINANCIAL STATEMENTS

XV. NET CURRENT ASSETS AND TOTAL ASSETS LESS CURRENT LIABILITIES

1. Net current assets

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Current assets	14,258,314,122.28	14,627,356,983.21
Less: Current liabilities	6,485,768,946.10	6,082,888,945.39
Net current assets	7,772,545,176.18	8,544,468,037.82

2. Total assets less current liabilities

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Total assets	21,058,830,623.07	20,590,815,791.72
Less: Current liabilities	6,485,768,946.10	6,082,888,945.39
Total assets less current liabilities	14,573,061,676.97	14,507,926,846.33

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 Period			Balance at the Beginning of the Year		
	Book balance	Provision for bad debts	Carrying value	Book balance	Provision for bad debts	Carrying value
Bank acceptance bills	807,072,503.61	481,000.00	806,591,503.61	688,865,493.33	481,000.00	688,384,493.33

NOTES TO THE FINANCIAL STATEMENTS

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

1. Bills receivables *(Continued)*

(1) Bills receivables that were pledged at the End of the Period

Item	Pledged amount at the End of the Period
Bank acceptance bills	266,381,577.31

As at 30 June 2021, bills with carrying amount of RMB266,381,577.31 (31 December 2020: RMB182,405,851.25) were pledged for bank acceptance bills.

(2) Bills receivable endorsed or discounted at the End of the Period but not yet mature at the date of balance sheet

Item	Amount derecognized at the End of the Period	Amount not derecognized at the End of the Period
Bank acceptance bills endorsed but not yet mature	13,506,817.48	0.00
Bank acceptance bills discounted but not yet mature	0.00	0.00
Total	13,506,817.48	0.00

For the Period, the bank acceptance bills issued by the Group to banks amounted to RMB0.00 thousand (the Previous Period: RMB0.00 thousand). As the main risks such as interest risks and returns related to these bank acceptance bills were transferred to the bank, the Group derecognized the undue bank acceptance bills that had been discounted. The discounted fee amounted to RMB0.00 thousand (the Previous Period: RMB0.00 thousand).

NOTES TO THE FINANCIAL STATEMENTS

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

1. Bills receivables (Continued)

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

(4) Classification by the method of bad debt provision

Type	Balance at the End of the Period					Balance at the Beginning of the Year				
	Book balance		Provision for bad debts		Carrying value	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)		Amount	Percentage (%)	Amount	Expected credit loss rate (%)	
Provision for bad debt on individual basis	481,000.00	0.06	481,000.00	100.00	0.00	481,000.00	0.07	481,000.00	100.00	0.00
Of which:										
Bank acceptance bills	481,000.00	0.06	481,000.00	100.00	0.00	481,000.00	0.07	481,000.00	100.00	0.00
Provision for bad debt on collective basis	806,591,503.61	99.94	0.00	0.00	806,591,503.61	688,384,493.33	99.93	0.00	0.00	688,384,493.33
Of which:										
Bank acceptance bills	806,591,503.61	99.94	0.00	0.00	806,591,503.61	688,384,493.33	99.93	0.00	0.00	688,384,493.33
Total	807,072,503.61	100.00	481,000.00	0.06	806,591,503.61	688,865,493.33	100.00	481,000.00	0.07	688,384,493.33

Provision for bad debt on individual basis:

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

NOTES TO THE FINANCIAL STATEMENTS

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

1. Bills receivables *(Continued)*

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

	Amount of provision for bad debt
Balance at the Beginning of the Year	481,000.00
Provision made for the Period	0.00
Recovery or reversal for the Period	0.00
Write-off for the Period	0.00
Balance at the End of the Period	481,000.00

(6) There are no bills receivables actually written-off for the Period.

2. Accounts receivables

(1) Disclosure using the aging analysis method

Aging	Balance at the End of the Period	Balance at the Beginning of the Year
Within 1 year		
Of which: Within 3 months (including 3 months)	993,280,001.74	821,509,376.18
4-6 months (including 6 months)	46,961,635.42	40,946,588.98
7-12 months (including 12 months)	4,118,771.69	3,451,146.54
Subtotal of within 1 year:	1,044,360,408.85	865,907,111.70
1-2 years (including 2 years)	675,571.62	1,185,606.19
2-3 years (including 3 years)	1,301,645.20	1,949,625.00
Over 3 years	5,672,938.17	5,254,072.90
Subtotal	1,052,010,563.84	874,296,415.79
Less: Provisions for bad debts	19,411,963.03	17,271,606.54
Total	1,032,598,600.81	857,024,809.25

NOTES TO THE FINANCIAL STATEMENTS

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

Type	Balance at the End of the Period					Balance at the Beginning of the Year				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value
Provision for bad debt on individual basis	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Of which:										
Due from domestic customers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Provision for bad debt on collective basis	1,052,010,563.84	100.00	19,411,963.03	1.85	1,032,598,600.81	874,296,415.79	100.00	17,271,606.54	1.98	857,024,809.25
Of which:										
Due from domestic customers	1,052,010,563.84	100.00	19,411,963.03	1.85	1,032,598,600.81	874,296,415.79	100.00	17,271,606.54	1.98	857,024,809.25
Total	1,052,010,563.84	100.00	19,411,963.03	1.85	1,032,598,600.81	874,296,415.79	100.00	17,271,606.54	1.98	857,024,809.25

Provision for bad debt on collective basis:

Item on collective basis: Due from domestic customers

	Balance at the End of the Period			Balance at the Beginning of the Year		
	Account receivables	Provision for bad debts	Expected credit loss rate (%)	Account receivables	Provision for bad debts	Expected credit loss rate (%)
Within 3 months (including 3 months)	993,280,001.74	10,129,892.54	1.02	821,509,376.18	7,968,640.96	0.97
4-6 months (including 6 months)	46,961,635.42	2,193,108.37	4.67	40,946,588.98	2,026,856.15	4.95
7-12 months (including 12 months)	4,118,771.69	375,631.98	9.12	3,451,146.54	482,470.29	13.98
1-2 years	675,571.62	132,884.94	19.67	1,185,606.19	270,555.33	22.82
2-3 years	1,301,645.20	907,507.03	69.72	1,949,625.00	1,269,010.91	65.09
Over 3 years	5,672,938.17	5,672,938.17	100.00	5,254,072.90	5,254,072.90	100.00
Total	1,052,010,563.84	19,411,963.03	1.85	874,296,415.79	17,271,606.54	1.98

NOTES TO THE FINANCIAL STATEMENTS

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

2. **Accounts receivables** *(Continued)*

(3) **Provisions for bad debts made, recovered and reversed during the Period**

	Amount of provision for bad debts
Balance at the Beginning of the Year	17,271,606.54
Provisions made for the Period	2,140,356.49
Recoveries or reversals during the Period	0.00
Write-off for the Period	0.00
Balance at the End of the Period	19,411,963.03

As at 30 June 2021 and 31 December 2020, the Group had no accounts receivables that are past due but not impaired.

(4) **There are no receivables written-off for the Period.**

(5) **The top five balances of accounts receivable by debtors as at the End of the Period**

The total of the top five balances of accounts receivable by debtors as at the End of the Period was RMB159,281,818.61 for the Period, representing 15.14% of the total balance of account receivables for the End of the Period, the aggregate balance of corresponding provisions for bad debts as at the End of the Period was RMB1,626,410.12.

(6) **There are no derecognised accounts receivables in the Group due to the transfer of financial assets.**

(7) **There is no amount of assets or liabilities for which accounts receivable have been transferred but involvement continues in the Group.**

NOTES TO THE FINANCIAL STATEMENTS

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

3. Other receivables

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Dividend receivables	340,100,088.07	434,213,482.03
Other receivables	917,762,645.70	936,104,058.53
Total	1,257,862,733.77	1,370,317,540.56

(1) Dividend receivables

Item	Balance at the End of the Period	Balance at the Beginning of the Year
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	340,100,088.07	340,100,088.07
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	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

(2) Other receivables

① Disclosure by nature of the amount

Item	Balance at the End of the Period			Balance at the Beginning of the Year		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Deposits under guarantee, deposits and lease expenses	450,000.00	19,710.00	430,290.00	0.00	0.00	0.00
Reserve fund and advances	12,246,069.78	1,865,577.04	10,380,492.74	8,998,768.38	1,219,384.35	7,779,384.03
Other receivables of each company within the scope of combination	873,245,066.40	0.00	873,245,066.40	904,560,541.71	0.00	904,560,541.71
Related party balances	15,795.00	691.82	15,103.18	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	33,338,151.50	0.00	33,338,151.50	9,169,356.40	0.00	9,169,356.40
Others	374,736.33	21,194.45	353,541.88	0.00	0.00	0.00
Total	924,669,819.01	6,907,173.31	917,762,645.70	942,739,196.49	6,635,137.96	936,104,058.53

NOTES TO THE FINANCIAL STATEMENTS

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

3. Other receivables *(Continued)*

(2) Other receivables *(Continued)*

② Provision made for bad debts

As at the End of the Period, provision for bad debts at step 1:

Type	Book balance	Expected credit losses rate over the next 12 months (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on individual basis	373,438,239.57	0.00	0.00	373,438,239.57	
Dividend receivables	340,100,088.07	0.00	0.00	340,100,088.07	Expected to be recoverable
Amounts of exercised options	33,338,151.50	0.00	0.00	33,338,151.50	Expected to be recoverable
Provision for bad debt on collective basis	873,245,066.40	0.00	0.00	873,245,066.40	
Other receivables of each company within the scope of combination	873,245,066.40	0.00	0.00	873,245,066.40	Expected to be recoverable
Total	1,246,683,305.97	0.00	0.00	1,246,683,305.97	

As at the End of the Period, provision for bad debts at step 2:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on individual basis	0.00	0.00	0.00	0.00	–
Provision for bad debt on collective basis	12,849,141.67	12.99	1,669,713.87	11,179,427.80	
Receivables of deposits under guarantee and security deposits and lease expenses	450,000.00	4.38	19,710.00	430,290.00	
Other receivables	12,399,141.67	13.31	1,650,003.87	10,749,137.80	–
Total	12,849,141.67	12.99	1,669,713.87	11,179,427.80	

As at the End of the Period, provision for bad debts at step 3:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debt on individual basis	5,237,459.44	100.00	5,237,459.44	0.00	
Other receivables	5,237,459.44	100.00	5,237,459.44	0.00	Not expected to be recoverable
Provision for bad debt on collective basis	0.00	0.00	0.00	0.00	–
Total	5,237,459.44	100.00	5,237,459.44	0.00	

NOTES TO THE FINANCIAL STATEMENTS

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 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	

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	

NOTES TO THE FINANCIAL STATEMENTS

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

3. Other receivables *(Continued)*

(2) Other receivables *(Continued)*

③ Provision for bad debts made, recovered or reversed during the Period

Provision for bad debts	Step 1 Expected credit losses over the next 12 months	Step 2 Expected credit losses over the lifetime (without impairment of credit)	Step 3 Expected credit losses over the lifetime (with impairment of credit)	Total
Balance at the Beginning of the Year	0.00	1,397,678.52	5,237,459.44	6,635,137.96
Balance at the Beginning of the Year transferred for the Period				
-- Transferred to step 2	0.00	0.00	0.00	0.00
-- Transferred to step 3	0.00	-1,000.47	1,000.47	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 Period	0.00	273,035.82	0.00	273,035.82
Reversals for the Period	0.00	0.00	0.00	0.00
Write-off for the Period	0.00	0.00	0.00	0.00
Settlement for the Period	0.00	0.00	1,000.47	1,000.47
Other changes	0.00	0.00	0.00	0.00
Balance at the End of the Period	0.00	1,669,713.87	5,237,459.44	6,907,173.31

④ Other receivables actually written off during the Period

Item	Amount written off
Other receivables actually written off	1,000.47

NOTES TO THE FINANCIAL STATEMENTS

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

3. Other receivables *(Continued)*

(2) Other receivables *(Continued)*

- ⑤ Other receivables with five largest amount by creditors at the End of the Period

Name of unit	Nature of receivables	Balance at the End of the Period	Ageing	Proportion to total other receivables at the End of the Period (%)	Balance of provision for bad debts at the End of the Period
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	Current account	714,312,752.38	Within 1 year RMB403,159,926.19, 1-2 years RMB311,152,826.19	77.25	0.00
Ando Development Limited (安滔發展有限公司)	Current account	123,914,821.43	Within 1 year RMB1,003,300.00, 1-2 years RMB122,911,521.43	13.40	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	33,338,151.50	Within 1 year	3.61	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 RMB19,375.00, 1-2 years RMB21,011,797.39	2.27	0.00
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Current account	12,592,483.00	Within 1 year	1.36	0.00
Total	-	905,189,380.70	-	97.89	0.00

- ⑥ The Group has not derecognised other receivables due to the transfer of financial assets.
- ⑦ The Group has no assets or liabilities formed by its continuous involvement of transferring other receivables.

NOTES TO THE FINANCIAL STATEMENTS

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

4. Long-term equity investments

Item	Balance at the End of the Period			Balance at the Beginning of the Year		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in subsidiaries	2,896,967,145.20	17,287,569.18	2,879,679,576.02	2,107,207,001.59	17,287,569.18	2,089,919,432.41
Investments in associates	736,846,448.71	1,200,000.00	735,646,448.71	50,214,686.96	1,200,000.00	49,014,686.96
Total	3,633,813,593.91	18,487,569.18	3,615,326,024.73	2,157,421,688.55	18,487,569.18	2,138,934,119.37

(1) Investments in subsidiaries

Investee	Balance at the Beginning of the Year	Increase during the Period	Decrease during the Period	Balance at the End of the Period	Provision for impairment for the Period	Balance of provision for impairment at the End of the Period
Zhuhai Livzon Baimeing Biological Materials Co., Ltd. (珠海麗珠一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) Co., Ltd. (麗安香港有限公司)	140,000,000.00	0.00	0.00	140,000,000.00	0.00	0.00
Ando Development Limited (安道發展有限公司)	534,050.00	0.00	0.00	534,050.00	0.00	0.00
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	378,259,319.91	0.00	0.00	378,259,319.91	0.00	17,287,569.18
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	2,357,200.00	0.00	0.00	2,357,200.00	0.00	0.00
Livzon Group Livzon Pharmaceutical Marketing Ltd. (麗珠集團麗珠醫藥營銷有限公司)	12,008,000.00	0.00	0.00	12,008,000.00	0.00	0.00
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	184,301,219.52	0.00	0.00	184,301,219.52	0.00	0.00
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	40,020,000.00	0.00	0.00	40,020,000.00	0.00	0.00
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	54,500,000.00	0.00	0.00	54,500,000.00	0.00	0.00
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	6,675,000.00	0.00	0.00	6,675,000.00	0.00	0.00
Zhuhai Livzon Pharmaceutical Equity Investment Management Co., Ltd. (珠海市麗珠醫藥股權投資管理有限公司)	90,000,000.00	0.00	0.00	90,000,000.00	0.00	0.00
Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	212,092,110.00	0.00	0.00	212,092,110.00	0.00	0.00
Zhuhai Livzon Biotechnology Co., Ltd. (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
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
Total	2,107,207,001.59	932,230,793.15	143,460,649.54	2,896,967,145.20	0.00	17,287,569.18

NOTES TO THE FINANCIAL STATEMENTS

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

4. Long-term equity investments (Continued)

(2) Investments in associates

Investee	Change during the Period									Balance of provision for impairment at the End of the Period	
	Balance at the Beginning of the Year	Investment acquired/new investment	Investment disposed of	Investment profit and loss under the equity method	Adjustment in other comprehensive income	Other equity changes	Cash dividend or profit distribution declared	Provision for impairment	Others		Balance at the End of the Period
Associates											
Livzon Medical Electronic Equipment (Plant) Co., Ltd. (麗珠醫用電子設備(廠)有限公司)	1,200,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,200,000.00	1,200,000.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	16,284,359.20	0.00	0.00	2,441,385.68	0.00	0.00	0.00	0.00	0.00	18,725,744.88	0.00
Shenzhen City Youbao Technology Co., Ltd. (深圳市有寶科技 有限公司)	1,080,543.04	0.00	0.00	44,123.07	0.00	0.00	0.00	0.00	0.00	1,124,666.11	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	-14,565,455.09	0.00	0.00	0.00	0.00	0.00	17,084,329.63	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	14,751,708.09	0.00	0.00	40,040,000.00	0.00	0.00	698,711,708.09	0.00
Total	50,214,686.96	724,000,000.00	0.00	2,671,761.75	0.00	0.00	40,040,000.00	0.00	0.00	736,846,448.71	1,200,000.00

5. Operating income and operating cost

(1) Operating income and operating cost

Item	For the Period		For the Previous Period	
	Income	Cost	Income	Cost
Principal activities	3,190,013,726.81	2,139,632,746.93	2,021,239,099.70	1,349,422,326.45
Other activities	14,150,238.25	10,142,882.86	3,133,816.69	0.00
Total	3,204,163,965.06	2,149,775,629.79	2,024,372,916.39	1,349,422,326.45

The Group operates in a single operating segment in the PRC, i.e. the manufacture of pharmaceuticals. Accordingly, no operating segment of the Group is presented.

NOTES TO THE FINANCIAL STATEMENTS

XVI. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

5. Operating income and operating cost (Continued)

(2) Operating income and operating cost presented by product types

Item	For the Period		For the Previous Period	
	Income	Cost	Income	Cost
Principal activities:				
Chemical drug preparation products	2,857,288,180.95	1,945,961,443.25	1,722,556,120.67	1,178,798,108.13
Traditional Chinese drug preparation products	332,725,545.86	193,671,303.68	298,682,979.03	170,624,218.32
Subtotal	3,190,013,726.81	2,139,632,746.93	2,021,239,099.70	1,349,422,326.45
Other activities:				
Lease income	2,937,062.08	0.00	2,502,816.28	0.00
Others	11,213,176.17	10,142,882.86	631,000.41	0.00
Subtotal	14,150,238.25	10,142,882.86	3,133,816.69	0.00
Total	3,204,163,965.06	2,149,775,629.79	2,024,372,916.39	1,349,422,326.45

(3) Operating income and operating cost presented by major operating regions

Item	For the Period		For the Previous Period	
	Income	Cost	Income	Cost
Domestic	3,190,013,726.81	2,139,632,746.93	2,021,239,099.70	1,349,422,326.45

(4) Operating income and operating cost presented by time of income recognition

Item	For the Period		For the Previous Period	
	Income	Cost	Income	Cost
Commodities (transferred at a point in time)	3,190,013,726.81	2,139,632,746.93	2,021,239,099.70	1,349,422,326.45

6. Investment income

Item	For the Period	For the Previous Period
Long-term equity investments income under cost method	944,000,000.00	859,655,974.49
Long-term equity investments income under equity method	2,671,761.75	-10,688,874.26
Investment income from disposal of long-term equity investments	0.00	95,659,608.05
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	0.00
Investment income from disposal of financial assets held for trading	-1,163,800.00	0.00
Total	945,583,772.51	944,718,999.64

NOTES TO THE FINANCIAL STATEMENTS

XVII. SUPPORTING INFORMATION

1. Statement of non-recurring profit or loss

Item	For the Period	For the Previous Period
Profit or loss from disposal of non-current assets	2,740,150.66	108,228,700.30
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	115,163,992.94	103,041,173.85
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	0.00
Enterprise restructuring fees, such as the expenses for employees' settlement and the integration fees	0.00	0.00
Profit or loss exceeding the fair value and generated from the transaction of which the transaction price is obviously unfair	0.00	0.00
Net profit or loss over the current period of the subsidiaries as a result of business combination under common control from the beginning of the year to the date of consolidation	0.00	0.00
Profit or loss from contingent issues irrelevant to the Company's normal business	0.00	0.00
Except for the efficient hedging related to the Company's normal business, profit or loss from changes in fair value as generated from financial assets and financial liabilities held for trading and gains from investment as a result of the disposal of financial assets and financial liabilities held for trading and debt investments	53,283,291.99	2,792,143.10
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

NOTES TO THE FINANCIAL STATEMENTS

XVII.SUPPORTING INFORMATION *(Continued)*

1. Statement of non-recurring profit or loss *(Continued)*

Item	For the Period	For the Previous Period
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	-927,209.18	-11,911,061.27
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	170,260,226.41	202,150,955.98
Less: Effect on income tax of non-recurring profit or loss	19,655,988.01	27,494,283.12
Less: Net effect of non-recurring profit or loss attributable to the Company's minority shareholders (after tax)	8,197,804.31	4,472,284.37
Non-recurring profit or loss attributable to the Company's ordinary shareholders	142,406,434.09	170,184,388.49

Note: As for the figures in the non-recurring profit or loss column, "+" represents the gains and income, "-" represents the loss or expense.

The Group recognizes non-recurring profit or loss items according to the Explanatory Announcement No.1 on Corporate Information Disclosure for the Public Offering of Securities-Non-recurring Profit or Loss (ZJHGG [2008] No. 43).

NOTES TO THE FINANCIAL STATEMENTS

XVII. SUPPORTING INFORMATION *(Continued)*

2. Rate of return on net assets and earnings per share

January to June 2021

Profit during the Reporting Period	Rate of return on weighted average net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary shareholders	8.65	1.14	1.14
Net profit attributable to the Company's ordinary shareholders after a deduction of non-recurring profit or loss	7.49	0.98	0.98

January to June 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	8.74	1.07	1.07
Net profit attributable to the Company's ordinary shareholders after a deduction of non-recurring profit or loss	7.26	0.89	0.89

Livzon Pharmaceutical Group Inc.

Zhu Baoguo

Chairman of the Board

24 August 2021



Livzon

Evergreen Life, Bright Future & Wisdom

www.livzon.com.cn